

Getting your head around school finances

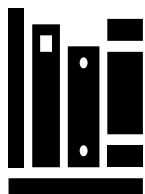
What are you budgeting for?

1st July 2020

Rory McCormack



Session Objectives



- Understand your duties as a Governor re. funding
- Understand why schools are financed in the way they are
- Understand how school finances are generated
- The key points to be aware of relating to school budgets and funding.
- Basic understanding of budget plans and what they contain
- What to look for in budget plans
- Understand what the budget is for and are we getting value for money
- Areas to be aware of/investigate/question/understand re. the current “Covid related” situation

Background and History (briefly)

1. 1944 – 88

- Local Education Authorities (LEA's) controlled finances
- Schools had ask for any extra funding
- Schools were told 2 things – staffing levels and “capitation.

2. 1989+ - Local Management of Schools

- Management of finance given to schools
- Local formulae created
- Governors involved in all aspects of school finance – statutory obligations.

Role of Governors

- 1988 Act gave Governors increased powers/responsibilities
- Headteachers now Governors
- Strategic responsibility – what does this entail?
- Operational responsibility – what does this entail
- Who does what?
- This is very important to remember in terms of school finance.

Role of Governors



GUIDANCE CENTRE

The independent
organisation for school
governors and trustees

INTRODUCTION TO:

Statutory framework for School Governance

Government legislation and guidance



Need advice?

For advice on any issue, Gold members have access to GOLDline legal advice

Role of Governors

“Statutory Framework for School Governance” NGA p.9

Responsibilities of the governing body - The Roles, Procedures and Allowances Regulations set out the key functions of the governing body, which are to:

- ☐ ensure that the vision, ethos and strategic direction of the school are clearly defined;
- ☐ ensure that the head teacher performs his or her responsibilities for the educational performance of the school; and
- ☐ ensure the sound, proper and effective use of the school's financial resources.

Role of Governors

They also set out that the headteacher is responsible for the internal management, control and educational performance of the school and make clear that s/he is accountable to the governing body in relation to all her/his responsibilities and must comply with any reasonable request of the governing body.

NGA has produced a document in collaboration with the National Association of Headteachers, the Association of School and College Leaders and the Local Government Association on where the division of responsibility lies between governing bodies and the senior leadership team, entitled,

“What governing boards should expect from school leaders and what school leaders should expect from governing boards.”

What governing boards should expect from school leaders and what school leaders should expect from governing boards



This joint paper aims to improve the effectiveness of school governance; underpinning it is an expectation that governing boards and school leaders will jointly develop effective working practices which are mutually supportive and respectful of each other's roles and responsibilities.

The use of the term governing board in this document refers to governing bodies in maintained schools and trust boards in academies. In multi academy trusts (MATs), boards may choose to delegate

It is the view of our organisations that all governing boards and executive leaders should meet the expectations set out in this document and that this should be evidenced through the adoption of a code of conduct.

School governance is under the spotlight now more than ever, with increased scrutiny from Ofsted and greater expectations from the government. In addition, the growth of the academy sector and in particular MATs has changed the complexion of school governance. In MATs there is one trustee board with responsibility for

Effective governing boards are prepared and equipped to take their responsibilities seriously.

Governing boards must have:

- the right people around the table
- an understanding of their role and responsibilities
- a good chair
- professional clerking
- good relationships based on trust
- a knowledge of the school – the data, the staff, the pupils, the parents, and the community
- a commitment to ending child poverty

What governing boards and school leaders should expect from each other

This joint paper aims to improve the effectiveness of school governance. Underpinning it is an expectation that governing boards and school leaders will jointly develop effective working practices which are mutually supportive and respectful of each other's roles and responsibilities.

The use of the term 'governing board' in this document refers to governing bodies in maintained schools and trust boards in academies. In multi academy trusts (MATs), boards may choose to delegate some of their responsibilities to a regional or academy level committee, often termed a local governing body.

The use of the term 'school leader' includes those responsible for the performance of a school, or group of schools. This will include headteachers, executive headteachers and chief executives (CEOs), where they are the lead executive with formal legal and contractual accountability to the governing board and/or where they significantly support these aspects.

It is the view of our organisations that all governing boards and school leaders should meet the expectations set out in this document; evidenced through the adoption of a code of conduct.

School governance carries significant responsibilities. There is more diversity in school structures now and more decisions to be made by governing boards. As such it's important that members of the governing board understand the roles, remit and responsibilities for their specific context.

Effective governance is essential for the health and success of any organisation. In any sector, when an organisation fails, there has often been a failure of governance. If we wish to prevent any school or academy trust failing its pupils, we need to ensure that governance is strong.

Effective governing boards should therefore be prepared and equipped to take their responsibilities seriously.

Governing boards must have:

- the right people around the table
- an understanding of their role and responsibilities, including those which may relate to them as an employer, such as health and safety responsibilities
- a good chair
- professional clerking
- good relationships based on trust
- relevant knowledge of the school and/or Trust– the curriculum, financial activities, data, the staff, the pupils, the parents, and the community
- a commitment to asking challenging questions to hold school leaders to account
- the confidence to have courageous conversations in the interests of the children and young people

School leaders in return must have:

- an understanding of governance (which could come from direct experience of governing), including acknowledging the role of the school's accountable body.

- a willingness to provide information in the most appropriate way in order that the governing board can carry out its role
- a willingness to be challenged
- reasonable time to devote to ensuring professional relationships are established with governors and trustees
- the skills and understanding to develop effective working relationships with the governing board

1. The respective roles of governance and management

Governance is strategic and management is operational. This distinction between governance and management needs to be clearly understood by all, so that governors and trustees are not asked to, and do not try to, involve themselves in day to day management. Governors and trustees are there to govern, not to carry out other work within a school on a pro-bono basis. School leaders must not be micro-managed. The governing board should concentrate on matters related to strategy and school improvement, delegating to school leaders those tasks which are operational (for example, drafting policies, making judgements about teaching quality, and recruiting and deploying staff below senior leadership level).

The governing board, in partnership with the organisation's leadership, should determine and articulate a clear vision as to where they want the school and/or Trust to be in 3–5 years' time. This should lead to the identification of the

“Governance is strategic and management is operational. Governors and trustees are there to govern, not to carry out other work within a school on a pro-bono basis. **School leaders must not be micromanaged.** The governing board should concentrate on matters related to strategy and school improvement, **delegating to school leaders those tasks which are operational** (for example, drafting policies, making judgements about teaching quality, and recruiting and deploying staff below senior leadership level).”

“What governing boards should expect from school leaders and what school leaders should expect from governing boards.” NGA, 2017, p.1

Background

Various types of schools –maintained schools, multi academy trusts, stand alone academies, free schools and city technology schools.

Guidance from the Education Funding Agency (ESFA)

How is finance delivered - 1

- Funding Formulae – local and national
- National funding formulae

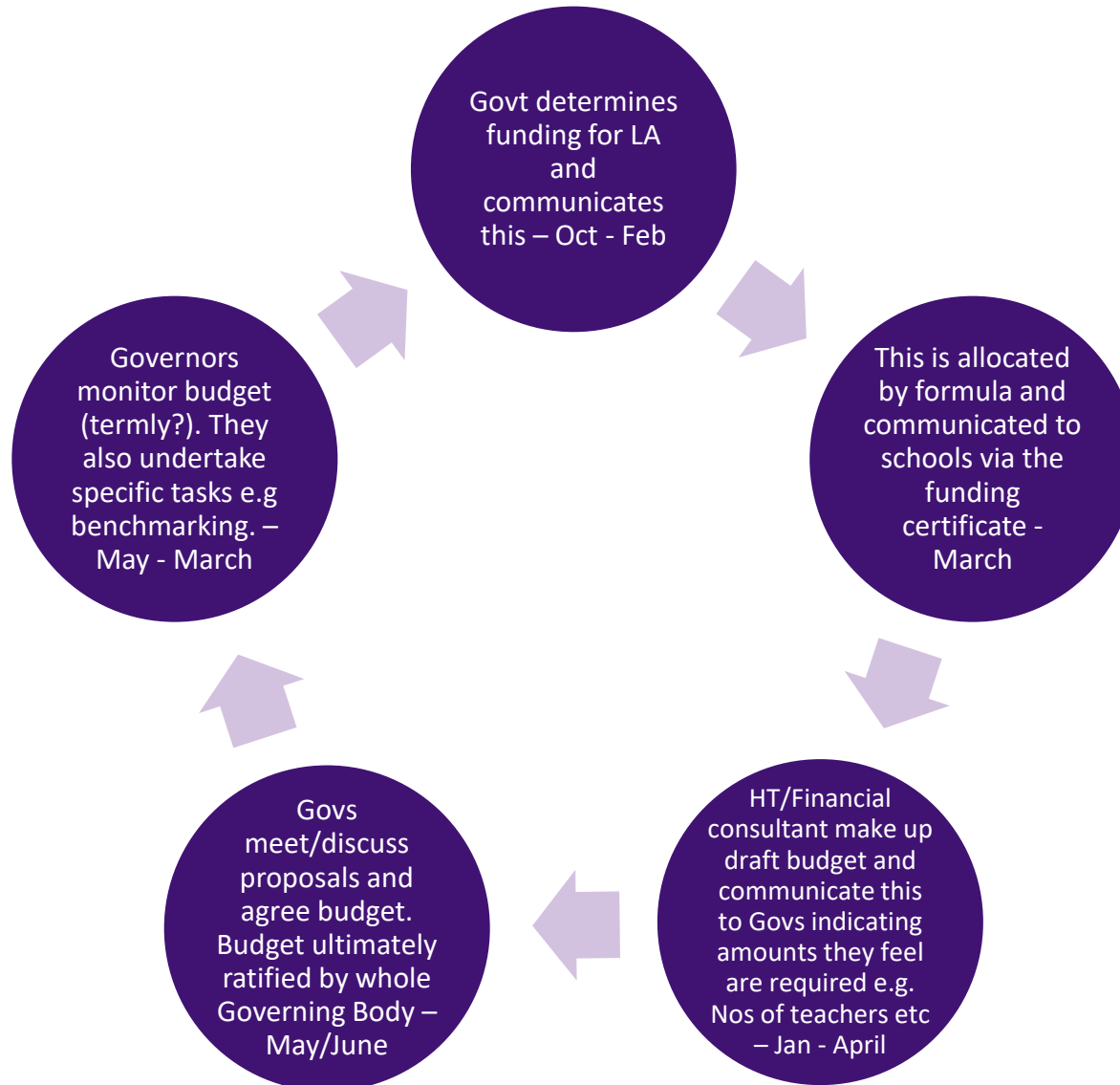
“Under a ‘soft’ system, we use the national funding formula to set notional budgets for each school. These are aggregated to give the total schools block 8 budget for each local authority. You can see the notional budget for each school, and the aggregated schools block funding for each local authority, published alongside this document. For the next two years, local authorities will continue to set a local formula to distribute their schools block funding, in consultation with their local schools and their schools forum. “The national funding formula, DfE, Sept 2017. pp 7 - 8”

- Each school then sent its allocation via the funding certificate from the Local Authority.
- Governors + HT + Consultants(?) then allocate the funding as they feel it should be.

How is finance delivered - 2

- Mainly determined by numbers on roll
 - Census taken every term but January one determines funding
 - Age of children can be a factor – basically older children worth more – Early Years?
 - Other factors in formula e.g. :
 - Condition of premises
 - Small school protections etc
 - Govt want to get away from these localised factors on national funding formula

A possible “division of labour”



Strategic Financial Role

- Approval of the Annual budget
- Approval of the Financial Management Plan
- Setting financial priorities through the School development plan
- Determination of the staff complement and pay policy for the school
- Approval of Best Value statement
- Internal financial procedures -authorisation of non budgeted expenditure and virements

Task

With the financial management policy discuss :

- a) What are the variables?
- b) What tasks does the policy set out for Governors?
- c) What tasks does the policy set out for Headteachers?
- d) What tasks does the policy set out for Admin Officers/School Business managers?

What are you budgeting for?

1. Educational Outcomes

What are we trying to achieve? Where is our school currently?
What do we know about our school standards?

☐ *Task – discuss – do I know? If not how can I find out?*

2. School Development plan

☐ Task – discuss – what is in it? Why? What are we trying to achieve?

☐ Is it costed?

Balances and reserves

Task : What if you can't afford everything you want to do?
-What about balances and reserves?

1. What is a “reasonable” balance to carry forward?
2. Planning for the use or retention of balances
3. Protecting private funds
4. Deficits

What is worrying you?

Liability

“In relation to Governing Bodies the governors benefit from a partial protection in statute. In summary, **the governors do not have any personal liability in respect of anything done in good faith** in spending the school delegated budget and delegating responsibilities to the head teacher.”

Wrigley's Solicitors

Statutory obligations and focusing on finance.....

Guidance

*“The board’s third core function is to **oversee financial performance and make sure money is well spent**. It should do this by ensuring it has at least one individual with specific, relevant skills and experience of financial matters. **However, everyone on the board should have a basic understanding of the financial cycle and the legal requirements of the school on accountability and spend**. This is important in all schools, but particularly important in MATs or large schools or federations. Their larger budgets and greater complexity make it even more critical that the board not only **oversees delivery of the best possible education for pupils**, but also provides robust governance to ensure the viability and efficiency of the organisation through effective business and financial planning.”*

Statutory obligations and focusing on finance.....

- Clarity of vision
- Holding the Headteacher to account
- Overseeing financial performance
- Increasing concern about financial management
- Audit, Schools Financial Value Statement (SFVS) and Financial Management and Governance Self Assessment (FMGS)

Budget Content

- Two handouts :-

1. Budget Plan Summary
2. Budget Plan

Task: Using the Budget Plan Summary

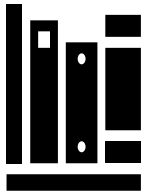
- What do we learn about school('s) priorities?
- What questions could we as Governors be asking based on this summary?

Covid related issues

Our role as Governors has not changed – we still have the same 3 core functions:

- ☐ ensure that the vision, ethos and strategic direction of the school are clearly defined;
- ☐ ensure that the head teacher performs his or her responsibilities for the educational performance of the school; and
- ☐ ensure the sound, proper and effective use of the school's financial resources.

Covid related issues



How does this impinge particularly in terms of finance?



What information should we be looking at?



What should we be looking for in the information provided?



What do we then do as a result of the answers we receive?

Covid related issues

1. Ensure that the vision, ethos and strategic direction of the school are clearly defined
 - In my view, we need to be clear that any decision(s) we make is in line with what we believe e.g. staffing scenarios, resource allocation, safety of staff and pupils etc, etc....
 - In my view, these are extraordinary times and therefore, whatever the strategic plan for the school was has to be “put to 1 side” as it were as we tackle the challenges presented by the pandemic **(This will be hard!!!!!!)**

Covid related issues

2. Ensure that the head teacher performs his or her responsibilities for the educational performance of the school

This is, in my view, about being kept abreast as Governors directly about the carrying out of statutory obligations during school closure and about the reopening when it comes e.g.:

- Risk assessments
- Safety arrangements
- Staffing for vulnerable and key worker children
- Remote learning provision
- Accessibility of remote learning, devices and internet provision
- Take up of remote learning
- Assessment – primary and secondary

We should question, remembering that these are largely operational matters so we are being informed and are there to ensure that they take place if statutory (remote learning) and to support.

Covid related issues

3. Ensure the sound, proper and effective use of the school's financial resources.

This will form a significant part of our budget monitoring.

For maintained schools this “luckily” almost exactly coincides with the financial year 2020/21 which began in April 2020

For academies this is across 2 financial years as their financial year begins on September 1st.

We need to be looking at/asking the following questions:

- Where are the (significant) variations to our agreed budget plan?
- Are these variations (or some part of them) directly attributable to Covid and the school lockdown?
- What proportion of any given budget line is at variance due to the current situation (both positively and negatively)
- What are the most important budget lines to look at? (**always start with staffing!!**)
- What additional sources of funding (and resources) have we at our disposal? What do they amount to in actual terms? What impact do they have on any negative budget lines?
- What is the impact in actual terms in any given budget line as well as the percentage change (see staffing example)
- Are there any positive budget lines due to the school closures in 2020/21 whereby money can be “vired” to offset negativity in other lines?

Always refer back to Functions 1 and 2 when dealing with these issues.....

Covid related issues: example of a large budget line e.g. staffing

REVENUE	£	%
		of TOTAL
EXPENDITURE		EXPENDITURE
STAFF RELATED COSTS	2,478,924	76.52%
PREMISES COSTS	144,617	4.46%
CURRICULUM	88,000	2.72%
OTHER SUPPLIES & SERVICES	156,235	4.82%
IN & OUT BUDGETS	3,000	0.09%
CATERING COSTS	231,943	7.16%
DIRECT REVENUE FINANCING (CONTRIBUTIONS TO CAPITAL)	0	0.00%
OTHER EXPENDITURE	137,053	4.23%
EXPENDITURE TOTAL	3,239,772	100.00%

This is from the Budget summary which is included with your handouts...

- You can see that in this example the budget is expressed both as “actuals” and as a percentage.
- Staffing is the vast majority of your budget (£2,478,924/76.52%). Therefore any variation in terms of staffing will have a disproportionate impact
- In reality most schools staffing is around 80%

Covid related issues: example of a large budget line e.g. staffing

EXPENDITURE		EXPENDITURE
STAFF RELATED COSTS	2,478,924	76.52%

Its worth running through a hypothetical example just to illustrate the point:

1. We are monitoring the budget this term with information up to December 2020
2. In a maintained school this is Month 9 (75% of the financial year) – Academies month 4 (33.3% of the financial year)
3. Staffing if on plan should be at 75% of £2,478,924 = £1,859,193
4. If staffing is on 77% appears to be virtually on target however 77% of £2,478,924 = £1,908,771 – **a difference of £49,578 (£1,908,771-£1,859,193)**

The impact of changes in staffing is potentially enormous, even if the percentage change is very small

Our questions would/could be:

- a) Why is this?
- b) Is this change specifically related to Covid?
- c) Have we any extra funding we can apply for/receive to offset this?
- d) Is this going to continue for the rest of the financial year. If yes, what will be the “actual” impact on the end of year?
- d) Can we vire funding from other areas to offset this?
- e) What other budgets have been directly affected by Covid? – e.g. Resources (go through same process)
- f) What is the overall impact on our “bottom line?”

Budget Content

Task: Using the Budget Plan

- Create (at least) 5 questions based on what you have learned tonight that you would wish to ask the Headteacher (HT)/School Business Manager (SBM) regarding this plan (10 mins)

Value for Money

How do you know if you are achieving value for money (VfM)

Benchmarking

There is a benchmarking website which gives financial information on every school

<https://schools-financial-benchmarking.service.gov.uk/>

Task: Using the benchmarking report card:

- What are the issues for SMI?
- How might these be remedied?
- Where does SMI stand overall in relation to the other schools?

Value for Money

Financial management Policy – what does it say (if anything) about:-

- Purchasing procedures
- Planned maintenance
- Income
- School Private fund and its auditing (annually and to be reported to Governors)

Value for Money

Auditing:

1. School budget
2. Private fund (s)
3. SFVS

What to expect from your school....

- Your role
- The financial calendar
- Rules/policy
- The budget- summary, plan
- Reports – termly – how do we receive them in our school?
- Benchmarking information
- The opportunity to ask questions, and obtain answers from the right people

Questions to ask

- Do ask them!
- How is it going?
- Questions to ask about the budget
- Questions to ask about monitoring reports
- Questions to ask about audit , SFVS and FMGS

Questions to ask me!!!

Questions?



Next steps

<https://registration.livegroup.co.uk/efa/ContentTabs/Embed.aspx?dfid=18866>

**So what are you going to do when
you get back to school?**



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