PRIMARY SCHOOLS' FINANCIAL TOOL KIT

1. INTRODUCTION

This guidance from the Rochester Diocesan Board of Education is for Voluntary Aided, Voluntary Controlled and Foundation Church of England Primary Schools within the Diocese of Rochester.

The educational landscape has and continues to be subject to major change and funding for schools is a critical element, particularly following the Covid-19 pandemic.

At the time of writing, the greatest future financial challenges are likely to be associated with:

a. The likelihood of overall efficiency savings of the quantum of which is currently unknown.

b. Alterations to funding levels following the introduction of the National Funding Formula.

c. Anticipated real term funding reductions.

d. Anticipated reductions and the phasing out of the general funding rate element of the Education Services Grant (ESG).

e. A review of High Needs funding and

f. Increases in school staff pay, pension and National Insurance contributions.

Whilst these measures apply to all schools, small schools (under 210 pupils) will face particular financial challenges given that their income is smaller and therefore their ability to reduce expenditure, vire between budget headings and benefit from economies of scale is more limited. In circumstances where financial deficits persist a sharing of leadership and support services with other schools and smaller non-teaching senior leadership teams will need to be implemented.

This guidance is intended to assist school leaders and governors in considering their school's current and future finances, prior to making key decisions and thus securing their future, financial sustainability, and viability.

We are extremely grateful for the service of all those connected with our Church of England schools' communities, many in a voluntary capacity and in such challenging circumstances given the pandemic.

We hope you find this guidance useful and please do not hesitate to contact a member of the Diocesan Board of Education team should you have any queries or require further assistance.

2. FINANCIAL DUTIES AND RESPONSIBILITIES

The headteacher, (along with other staff) is accountable to the Governing Body for the operational management of the school's financial performance.

Governing Bodies have the formal, strategic responsibility for the financial management of their schools and therefore they will need to demonstrate that they have approved, monitored, and ensured the budget is managed effectively. Such tasks are usually delegated to a Finance Committee whose minutes and reports are presented to the full Governing Body for consideration and approval.

Headteachers and governors are often the recipients of financial reports and statements and need sufficient understanding of their contents to enable them to:

a. make judgements about the financial health of the school.

b. evaluate the financial sustainability of the school's long-term development plans and

c. challenge the information they are provided with.

Maintained schools are not obliged to publish accounts but are required to submit a return, via their local authority, as part of the Consistent Financial Reporting (CFR) regulations introduced in April 2003. This information is used to populate the schools' financial benchmarking website and to pre-populate the section 251 outturn statements.

All Church of England Voluntary Aided and Voluntary Controlled maintained schools are required to follow financial reporting procedures laid down by their Local Authority (LA) in their scheme for financing schools (made under section 48 of the School Standards and Framework Act 1998) and associated local documentation.

3. PRINCIPLES

The following main assumptions have been adopted in this guidance:

a. Benchmark

Given the numerous variances between individual schools, influenced by differing local circumstances, establishing a universal benchmark is challenging. KCC provide some useful resources that can be found at https://www.kelsi.org.uk/school-finance/financial-support-and-planning/benchmarking that includes a link to the DfE national benchmarking portal.

b. Surplus

Ideally schools should plan and manage finances so as a surplus between income and expenditure is achieved. It is important to ensure, that the total carry forward rollover balance at the end of a financial year is within the limit set by the local schools' forum (usually 8% of income codes I01,I03,I05 & I018), so as to avoid a potential financial claw back by the LA.

c. Income and expenditure

It is imperative to avoid either an in-year deficit between income and expenditure and a negative year end rollover. In such circumstances a budget recovery plan must be urgently instigated to rectify matters. Virement between individual budget headings is permissible providing they have been approved by the school's full Governing Body.

The three most important factors when estimating school budgets are as follows.

i. Income derived from funds delegated by the LA including pupil formula funding, SEN funding, high needs pupil funding and pupil premium funding (items I01, I02, I03, I04 and I05). These typically account for over 90% of a school's annual income.

ii. Staffing costs which typically accounts for between 70% and 80% of annual income. Once the annual school census return is complete staffing requirements can be estimated and known/planned changes entered on a staff salary calculator for the annual budget. The staffing implications of changes in pupil numbers should also be factored in for future periods and

iii. Premises and ICT costs typically accounts for a further 6% to 12% of annual income. ICT and premises development plans should provide the basis for these estimates, as they are costed and prioritised and used to set the annual budget.

iv. Given that staffing costs represent the highest single item of expenditure it is recommended that these costs are input, (within the appropriate shaded areas) evaluated and any emerging trends considered further together with any remedial measures noted within the comments section.

Some common challenges can be summarised as follows:

a. Long serving members of staff with higher salary levels

b. Large senior leadership teams with high salary levels

c. More class teachers than classes of pupils

d. Large numbers and costs associated with teaching assistants or higher-level teaching assistants

e. High levels of costs associated with supply teachers, education support staff, premises staff, catering staff and administrative and clerical staff and

f. High numbers and costs associated with teaching and learning responsibilities (TLRs) and other enhancements.