



School Financial Success

A Helping Hand to

Secure a Sustainable Budget



A practical guide to school budget setting in uncertain times

Julie Cordiner and Nikola Flint

Guest writer Sam Ellis

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with Guest Writer Sam Ellis

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Email: Schoolfinancialsuccess@outlook.com

Website: <https://schoolfinancialsuccess.com/>

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Julie Cordiner
Education Funding Specialist

I'm a qualified accountant and independent consultant specialising in school funding and education finance, with over 30 years experience in local authority education work including 8 years as an Assistant Director. For 8 years I was a member of DfE's advisory group on school funding. I advise schools and local authorities on school funding and achieving value for money in order to support better outcomes and enable children and young people to maximise their potential, something I'm passionate about. Everyone deserves the best possible education and we all need to use taxpayers' money wisely, to achieve a fair chance for every single pupil.

Nikola Flint
School Business Director

With a background in accountancy and 15 years experience I fulfil a broad, strategic role as Director of Corporate Services in a large secondary school leading on all aspects of school organisation and SMSC. My experience as a Specialist Leader of Education offering school to school support has widened my perspective of the challenges faced by schools and the potential solutions to those challenges. I passionately believe that every child has the right to a high quality education and that we all have a part to play in achieving this ideal.

We'd like to introduce our guest writer for this first title, A Helping Hand to Secure a Sustainable Budget:

Sam Ellis
Funding and Timetable Consultant

Following an extensive and successful career working as a school leader and then for ASCL in varying roles since 2008, Sam now works part time for ASCL as a funding specialist and also in a private capacity. Key areas of Sam's expertise are linking finance and timetable structures and using financial targets in whole school strategic management. In that context he has worked with both LA maintained schools and academies on strategic financial planning, including the construction of recovery plans.

Sam co-produced the LA activity led funding model subsequently adopted by the f40 group of authorities. He has considerable experience of constructing school timetables, writing timetabling software and devising and delivering training materials for aspiring timetablers and other interested stakeholders.

Foreword

Are you a mainstream school leader, worried about your budget, frustrated by the lack of multi-year funding allocations and wondering how the changes to school funding will affect your school? How can you even start to plan ahead in such uncertain times?

A strategic view of funding is critical to achieving your vision. A multi-year budget plan ensures that sufficient resources are available for every aspect of running the school. It takes into account any planned changes in the curriculum, pay profile of staff, anticipated pupil numbers, or any organisational aspects of the way the school is run.

Yet schools are expected to manage multi-million pound budgets with virtually no information about future allocations. It is many years since multi-year forecasts were available; while the Dedicated Schools Grant allocation to local authorities (LAs) has been frozen in cash terms for several years, this has not provided certainty for schools, because the local formula can change.

This lack of forward planning information is now compounded by the proposal to introduce a National Funding Formula (NFF). This will result in a significant redistribution of resources between schools, with some facing a long term reduction. The impact on individual schools will depend on the level of protection built into the new system.

Following a first consultation on the principles and structure of an NFF in March 2016, the EU Referendum decision and the Prime Minister's resignation halted further progress. In July 2016, the new Secretary of State announced the NFF for Schools and High Needs would be delayed to 2018/19. A second consultation was promised after the summer recess, but did not appear until the last day of Autumn, 14th December 2016.

The closing date for responses of 22nd March and the stated intention to take decisions in summer 2017 confirms our long-held belief that meaningful information will not be available until very close to the date of implementation. The illustrative values in the Stage 2 consultation may change when final decisions are announced; in any case, they only relate to the hypothetical situation of the NFF as it would have been if implemented in 2016/17. There are two more sets of October census data after this, which will affect schools' actual funding in 2018/19.

This guide not only shows you why you need to think ahead in preparation for any potential funding reductions, but also demonstrates exactly how to build a range of funding predictions and strategies to deal with them. By following the steps, you will already have a strategy in mind for making the necessary adjustments to your budget once you know the reality of your finances from 2018/19 onwards.

Packed with tools and tips built on the three authors' years of experience in supporting schools to get the most out of their resources, this book includes bonus checklists, activities, downloadable workbooks and a template for presenting your Financial Sustainability Plan to governors. You'll certainly get value for money, while being guided step by step along the path to a sustainable budget.

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Chapter One

Introduction

Our Offer to You

This book has been written as a response to the uncertainty that schools now face in relation to their future funding. It is based on the need to work out your own forecasts of multi-year allocations in the absence of reliable information from anyone else, and to address the reality that if school leaders wait until final decisions are taken on the values in the National Funding Formula (NFF), it will be too late to start planning the necessary changes to their budgets. That could potentially be disastrous, with some schools needing to make major budget cuts to make up for lost time.

Schools need some way of predicting a range of scenarios for their future funding, as a basis for a review of their budgets. This holds true whether you lose or gain funding from the NFF proposals, because they still don't provide multi-year funding allocations for a strategic planning period. You need a strategy to manage unfunded cost pressures and plan for the financial implications of any changes you need to implement, over a longer period than the remainder of this Parliament.

Our approach is simple: the worst case per pupil funding can be based on the Minimum Funding Guarantee, the best case is a prudent 'no change' (or a capped gain if you are absolutely convinced the NFF will deliver substantially more for your school in the pure formula), and middle case scenarios are somewhere in between.

If the groundwork is done in advance, once the government takes its final decisions, headteachers can pull the most relevant plan off the shelf and start implementing it straight away. Moreover, having thought out a strategy, opportunities such as staff turnover that arise from now on can be considered in the light of the agreed vision for the budget. That could be crucial in enabling a school to make early savings that do not put outcomes at risk.

What we offer in this book is an explanation of the proposed changes to school funding as far as they are known at this point, and a step-by-step process with bespoke tools to guide you through making predictions of per pupil funding, projected rolls and other funding changes. By

identifying three or four scenarios for future funding over a five-year period, you can start to assess the level of savings required and plan how to achieve them.

We provide spreadsheets and templates, all leading to the production of a Financial Sustainability Plan which you can tailor for presentation to governors as a blueprint for your school. The tools you have used will provide evidence of your thinking, assumptions and key data. This will help school leaders and governors to have an in-depth discussion and agree a strategy to secure a sustainable budget.

We have also provided a separate document called Web Links containing all the hyperlinks mentioned in the book. We hope this will guard against any difficulties with particular e-book formats and make it easier for you to access them and amend any that change.

If you would like a more detailed hands-on guide to completing the tools, please go to our online course at <http://school-financial-success.teachable.com/> where you can purchase the course and work through the modules at your own pace.

Why Have We Written This Book?

So what made us take the plunge to write the book and design the tools?

For some time, we have observed the changes in education from our perspective as two people who are passionate about making the most of the resources in the education system to achieve better outcomes for children and young people. We both have significant experience in our respective fields, one as an accountant and former Assistant Director in both education support services and school improvement (now an independent education funding specialist), and the other as a Director of Corporate Services and member of the senior leadership team in a large secondary school.

Over the course of our careers so far, we have used our wide ranging strategic and operational knowledge to advise schools and local authorities on how to achieve sustainable budgets and review how resources are used in order to achieve value for money. Never has this seemed as important as it does now, considering the current pressures on schools to achieve more, and imminent changes to the school funding landscape.

The striking thing to us is that school funding seems to be something of a Cinderella subject. How often are financial leadership skills and strategic financial awareness probed in headship interviews? Where are the forums for aspiring leaders to find out more about what is expected of them and how can they gain experience in budget setting and financial sustainability? Do headteachers train their middle managers in what is needed to keep on top of the school's

finances? Is governor training strong enough on financial responsibilities and how confident are governors in challenging heads on the school's financial strategy?

For too many headteachers, the first time they have any real involvement is when they take on their first headship and are suddenly handed responsibility for several million pounds in the school's budget. We know that the NPQH has content on financial management and budget planning, but we are not convinced that enough time is spent on it, certainly not when you consider the fundamental importance of resourcing a school's plans. Pupils are depending on leaders and governors to use the school's resources wisely, to secure their future success.

A light touch approach may have been sufficient in the past when budgets were relatively stable. With so much uncertainty about the new school funding arrangements, and tensions between a potential decline in resources and rising cost pressures, there is a need for higher level skills to deal with the wide-ranging changes that lie ahead. Many current headteachers will not have experienced a period of sustained and significant budget cuts and therefore do not have tried and tested strategies to deal with them.

Most schools have a bursar or business manager, but the buck stops with the headteacher. Please note that references to headteacher and school should be taken to mean principal and academy as well. We will make clear any references that specifically appertain to one type of school.

When strategic financial planning is most successful, it is when it is aligned with the core business of school improvement. A headteacher has a vital role in achieving this alignment. Their financial decisions need to be rooted in evidence as to which strategies have the biggest impact on outcomes.

They also need to be on top of the budget in the here and now, while scanning the horizon for future changes that will impact on either the funding received or the need to spend. While the headteacher has the lead responsibility, they will need the support of their senior leadership team, school business manager and governors as a minimum, in order to ensure that the strategic intent is turned into reality.

It is a surprising fact that in most Ofsted inspection reports, you would be hard pressed to find any solid analysis of the school's approach to the use of resources or its strategic financial planning. We have even read reports where the fact that the school had a huge deficit was blithely ignored by inspectors, yet there were a significant number of recommendations to be actioned. Didn't it matter that the school had no money to fund these?

A school can have outstanding results, but if they are built on small class sizes and high teaching costs that are causing a massive overspend, it is extremely unlikely that standards can be

sustained in the long term, especially if a recovery plan requires major staffing reductions. We question whether inspectors have a deep enough understanding of value for money or budget management to be able to ask searching questions or make robust judgements about this essential area.

In the absence of any challenge from Ofsted, it is up to you to ask yourself the important questions, so you can be accountable to the local authority (LA) if you are a school or the Education Funding Agency (EFA) if you are an academy. Ultimately you are accountable to pupils and parents, who will want their entitlement to a good education.

Taking all these issues into account, we felt compelled to write a series of guides to school financial success to help headteachers, school business managers, Chairs of Governors, Chairs and members of Finance Committees, and any other school leaders involved in strategic finance work to secure a sustainable budget in these uncertain times. Even the most experienced leaders might well be feeling daunted by all the talk of changes to school funding that lie ahead, especially when you set the uncertainty alongside the relentless pressure to keep on raising standards and survive the next inspection.

The material will also be of use to aspiring leaders looking to advance their career. We would like to help the next generation of headteachers and school business managers to gain a fundamental understanding of strategic financial approaches before they take up their leadership role. We want to share our knowledge and experience in the interests of a better deal for children and young people, helping leaders to ensure that resources are managed well, to provide their pupils with an outstanding education that sets them up for life in the adult world.

We gave careful thought to all the topics that we should cover in our school financial success publications. But the issues that stood out for us were the absence of multi-year allocations to help schools plan over the medium to long term, the imminent changes to school funding through the introduction of a National Funding Formula (NFF), and the cost pressures that are starting to cause significant difficulties for many schools. When the uncertainty over funding is aligned with the ever-increasing expectations of pupils and schools, it suggests a perfect storm is about to break.

This led us to decide that as a matter of urgency, the first guide to school financial success needed to focus on practical advice and guidance to support school leaders in anticipating the likely changes to their funding levels and in identifying strategies to address any shortfall.

We have tried to give you an awareness of the main developments and issues, and advice on actions you can take to manage the risks. But we also provide practical tools which you can use or adapt, to avoid reinventing the wheel. We have included some focused exercises which you

can do for your own school, following our step by step instructions. These activities may, in some cases, be better suited to school business managers, curriculum leads or timetablers, but we hope our narrative is accessible for all school leaders, regardless of financial background.

We have also designed an online course with a series of videos to walk you through the completion of the tools. If you are a visual learner or simply want a more detailed set of instructions, you can purchase the course at school-financial-success.teachable.com. The course is not an alternative to this book, but rather a supplement that provides extra support for those who will be using the tools.

Our other guides to school financial success will go into more detail about all the individual aspects of a school's financial matters, including for example budget preparation, robust financial management, school balances, fraud prevention, project management and specific areas such as Pupil Premium and SEN funding.

There are a number of ways you can keep up to date with our latest news about school funding, depending on your preferred type of media:

- our website at <https://schoolfinancialsuccess.com/>
- a public Facebook page School Financial Success at <http://bit.ly/20REuM8>
- a LinkedIn Group called School Funding UK at <https://www.linkedin.com/groups/8511739>
- our Twitter feed JulieCordiner_SFS at [@juliecordiner](https://twitter.com/juliecordiner)

We welcome feedback on how we can improve the advice or whether there are any aspects we haven't covered, so that we can keep updating our publications as we know more about the changes and the likely impact on schools. In purchasing this book, you will receive any future updates we make to it as new announcements are made on the National Funding Formula.

How to Use this Book

How you use this book is up to you; you have a choice depending on what you want to get out of it. The advice and information is aimed at current and aspiring school leaders, school business managers or bursars, governors - particularly Chairs of the Governing Body and the Finance Committee - and local authority, MAT or externally commissioned finance officers who support schools in their financial planning and management.

Establishing a financial strategy for your school is a team effort. It requires a mix of expertise; one person is not expected to be confident and skilled in everything. A wise leader makes connections with experts who know a lot about their specific area of expertise, and draws

information and advice from them. You may not know everything, but knowing who to ask to find something out is an invaluable skill.

There is plenty of information in this book to help you understand how the school funding system is changing, and advice on how to manage the transition to a different level of funding. One approach is to read through the narrative to learn what you need to do, as a prompt to help you develop your own approach to finding options to address any anticipated shortfall in funding.

But to get the full benefit, we suggest that you use the blend of information, tools and exercises provided, to develop an end-to-end process for strategic financial planning and budget preparation. This approach culminates in the compilation of a Financial Sustainability Plan which can be reported to governors, outlining a number of funding scenarios and actions that will ensure a balanced and sustainable budget, based on your school improvement and curriculum plans. This will ensure a sound strategic approach founded on your educational vision for the school.

In some chapters we have provided web links to help you identify helpful information. These are live at the time of writing but we cannot guarantee that they will remain so. If we discover any new information, we will provide updates on our Facebook page.

Throughout the book, we have used icons to indicate an activity or a checklist:



We recommend that you read through the book first, to gain an overview of the whole process. Then go back to each activity and consider which member of staff in your school is best placed to tackle it. Different activities will suit different skills, and each school is organised differently. Some exercises are objective, mathematical and technical, though they should be within the grasp of someone with fairly routine numeracy skills. Others need a more subjective analysis.

All the tools can be downloaded and saved to your preferred location. We have inserted some data in the workbooks to make it easier for you to understand how the spreadsheets work. We recommend that when you are ready to start, you blank out all of the dummy data, to be sure that you do not mix any of it with your own.

In some of the sheets, we have selected cells that contain formulae and locked them using the Review/Protect Sheet option. If you wish to add in any lines or columns, change any of the

formulae in locked cells, or amend the sheets in any other way, select Review/Unprotect Sheet using password (all lower case) as the password. If you do this, it is best to protect the sheet again afterwards (Review/Protect Sheet and enter the password twice) to avoid overwriting any of the formulae.

As you go through the activities, you will be building up a portfolio of evidence, assumptions and findings, then devising alternative solutions to whatever issues emerge. As well as the individual tools, we have provided a template for a Financial Sustainability Plan which draws together the information, following the process you have used. Using this template, which can be tailored to suit your circumstances, you will be able to present a plan to secure a sustainable budget for the next five years to your governors, giving them confidence in your financial leadership.

Regardless of who is selected to carry out each exercise, it is important to arrange planning time as a team to look at the results, confirm the conclusions and discuss what the results mean for your school. This is important professional development as well as being crucially important in achieving a common understanding of the challenges and ownership of the solutions.

Are you ready to embark upon the journey to school financial success? Then let's start with an overview of the school funding landscape and see what lies ahead.