



Effervesce
SCHOOL FINANCE SPECIALISTS

School Resource Management

**Briefing for NLEs on potential areas of
risk that could affect school
improvement capacity**

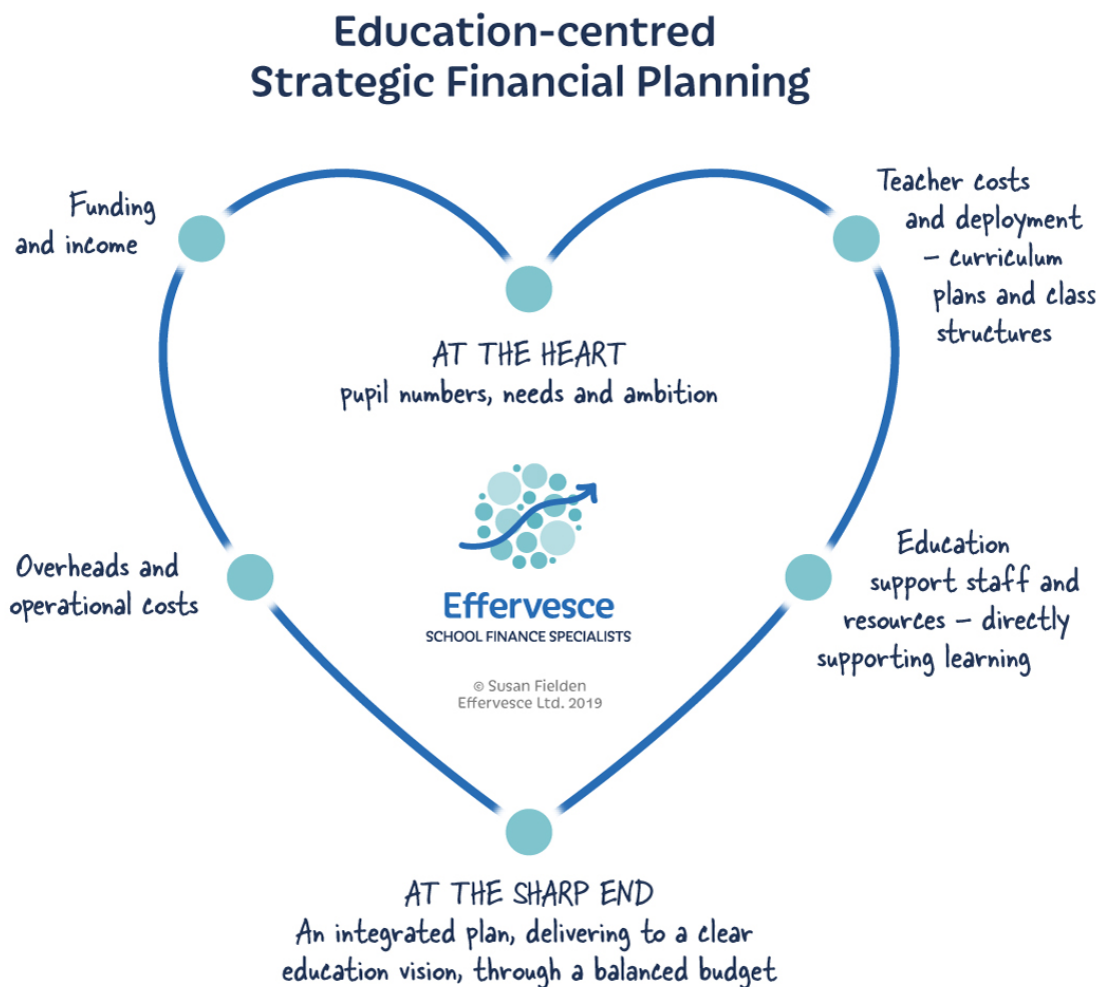
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Introduction

This briefing note has been prepared to support NLEs in their work with schools and academies as they seek to make a judgement about whether there are concerns about school resource management. In particular, the NLE will be concerned to identify issues that could impede school improvement progress.

The connection between effective school resource management and school improvement mirrors the essential integration between curriculum and financial planning. The Effervesce approach to integrated or education-centred planning is captured in the diagram below.



For each area of risk, this note identifies the issue, some possible warning signs and suggested action. Where relevant some benchmarking data has also been provided to give a sense of whether data from a school appears reasonable, given its context.

The risks and issues have been identified by Effervesce in the course of work with schools, academies and multi-academy trusts. The Department for Education has not undertaken independent research to validate this list.

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Understanding the context – pupil numbers

Issue: Forecasting funding and planning staffing both need a view about pupil numbers and needs.

Formula and grant funding formulae are largely driven by pupil numbers and yet it is not uncommon for the finance team to be unclear about future projections and changes in levels of need, and for educational leaders to be unaware of the lag between real and funded growth.

Pupil number and needs projections are also vital for curriculum planning and, in particular in primary and special schools, planning staffing structures and support capacity and expertise.

The level of risk associated with pupil number projections can be quantified and can inform an assessment of the safe level of reserves.

Warning Signs: No shared view of pupil trends and forecasts, the numbers or levels of need or both. Projecting pupil numbers is not a precise science and so some assessment of the reliability of information and some sensitivity analysis is also required. Where this is not evident it is possible that planning is only happening for the forward year and not across a strategic horizon.

Recommended Action: The school is recommended to pull out October census data and funding statements for last few years, numbers and needs, look at trends across year groups, understand capacity, admission number, local demography and need, etc. The Leadership team is then in a position to agree on the best, worst and most likely projections, record the decision, assess the risk of getting it wrong and review it periodically.

Understanding the context - funding

Issue: Funding is usually around 96% grant. For some schools the formula funding will include some elements of one-off adjustment, such as specific grants or funding guarantees. For some schools the funding changes are lagging behind pupil number changes and this will have implications for those that are growing as well as reducing in size. It is important to understand the risks and certainties to inform financial planning and determine the safe level of reserves.

Warning Signs: Phrases like “we just use the same per pupil funding rate for planning” or “who knows what will happen, it is usually all ok”. In an ideal world there will be at least one person in every school who properly understands the school funding system, knows where and when the key decisions are taken and keeps in touch with the local Schools Forum to get early indications of local changes in the formula and High Needs funding.

Recommended Action: The school is recommended to break the grant income down into the amounts decided by the LA (formula, high needs) and the elements decided by central government (specific grants), to stay in tune with local Schools Forum for LA decisions, understand local High Needs pressures and MFG/capping decisions and to engage with the national debate in the lead up to the spending review.

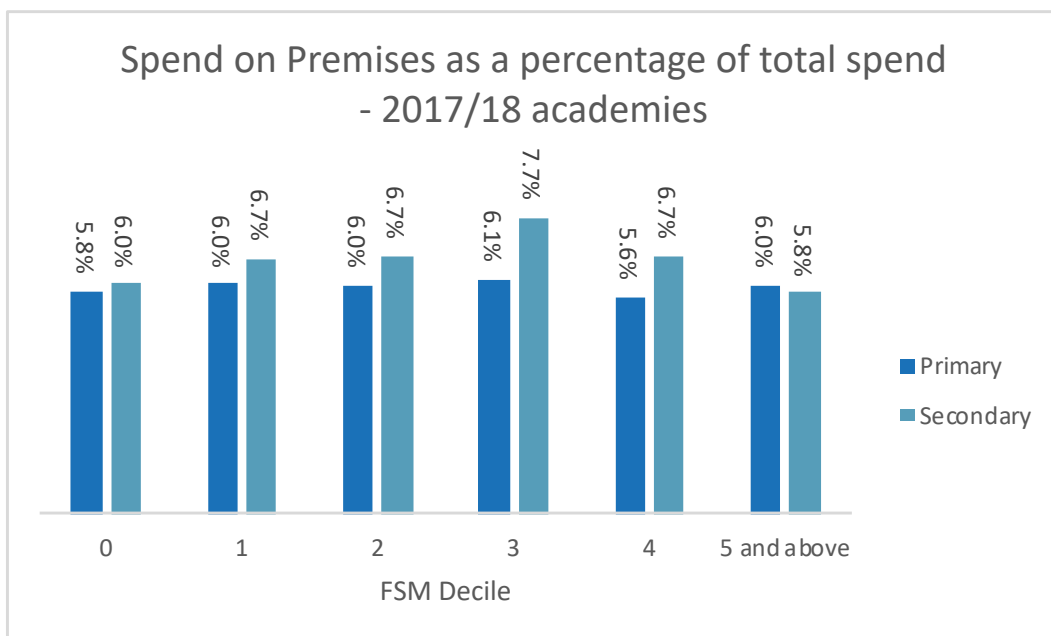
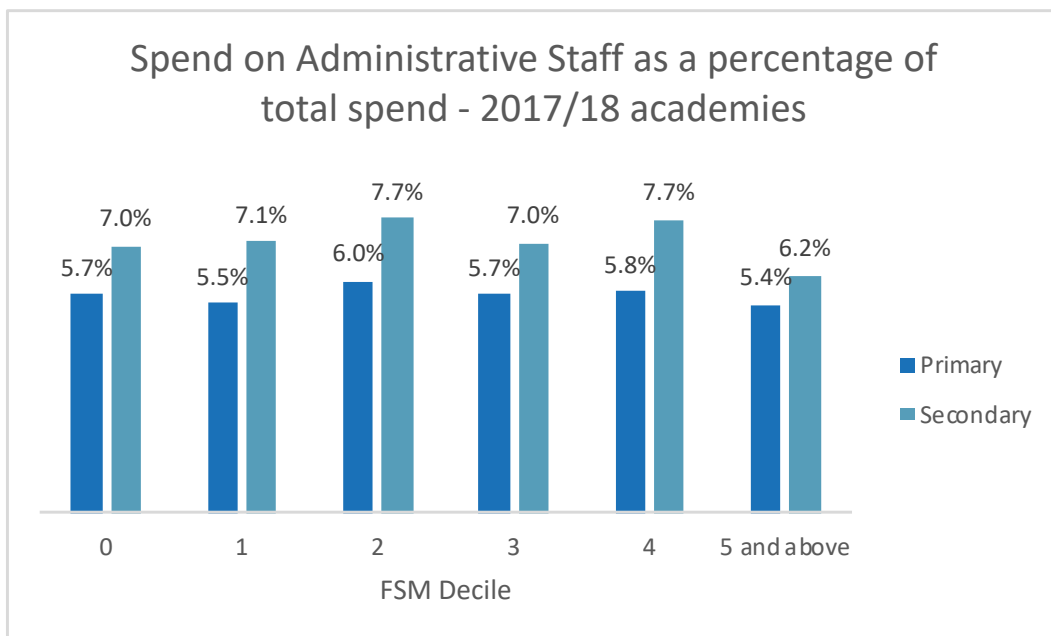
In addition, every school is recommended to put together a list of planning assumptions to underpin strategic financial planning and, to secure Board approval and review regularly.

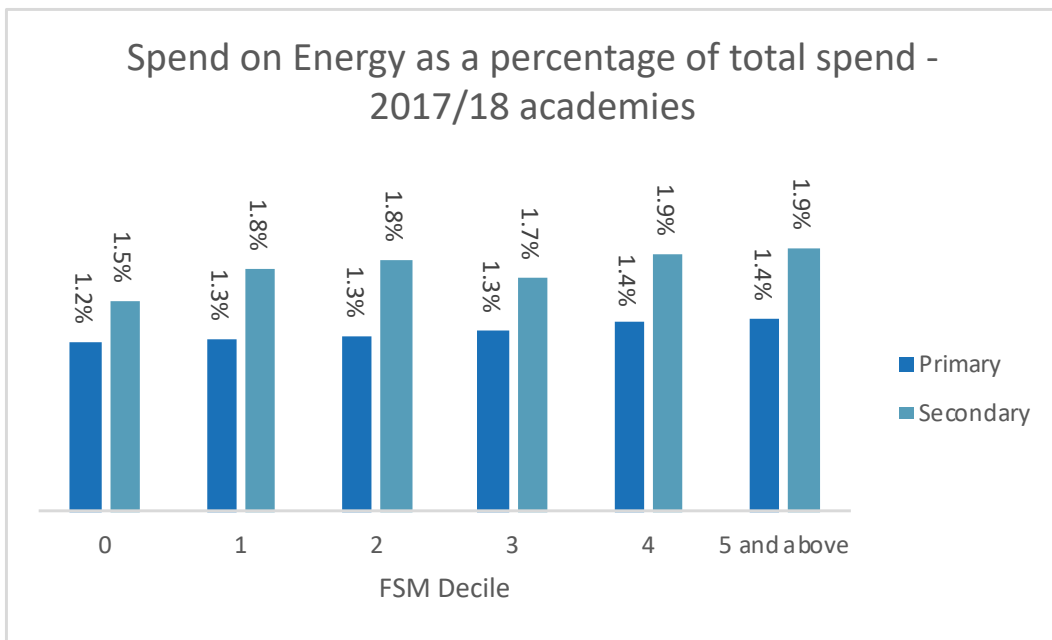
Active management of overheads and operational costs

Issue: The cost of keeping the organisation running smoothly usually account for around 20-25% of spend. This is shown in the charts below. Operational and overhead costs need an appropriate focus, best led by the business manager, operations or finance director, with a view to minimise spend on activity not directly related to learning.

The level of engagement in this exercise from educational leaders in a school should be proportionate.

Warning Signs: A quick financial benchmarking exercise will reveal any significant variations in percentage and spend per pupil compared to others. The school should be aware of, and engaged with, the National Deals negotiated by the Department, and if relevant, linked with the Regional Buying Hub. A possible warning sign might be an over-focus on energy and stationery by education leaders, rather than oversight of the contracts register and evidence of proper “make or buy” decisions for significant areas of spend.





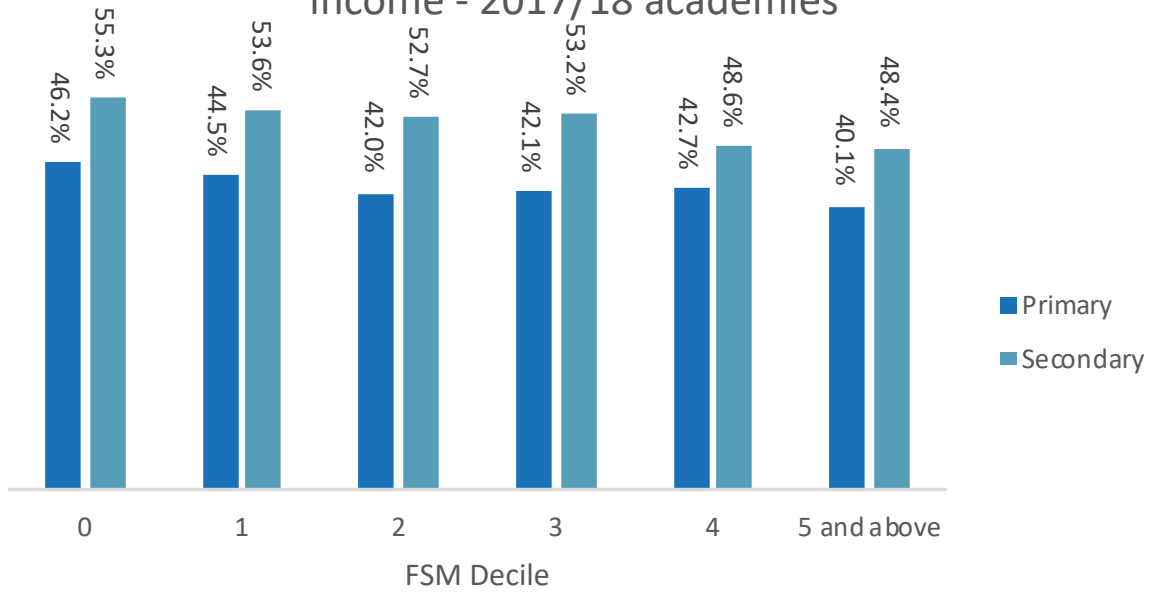
Recommended Action: The school is recommended to develop an efficiency plan to minimise spend in this area utilising the huge volume of DfE resource.

Average Teacher Cost

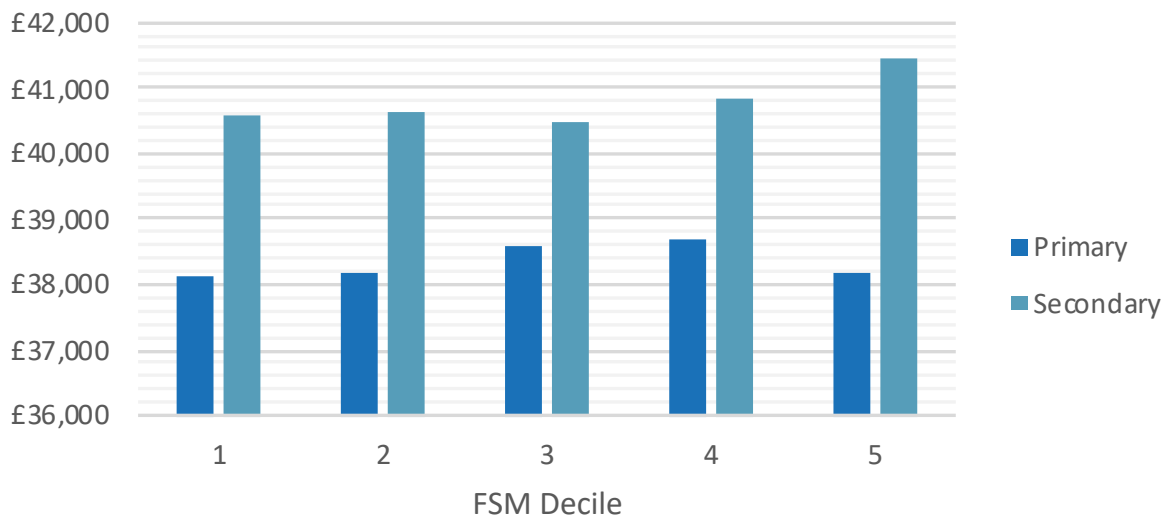
Issue: Average Teacher Cost is one of the key ICFP metrics connecting financial and educational planning. It is influenced by staff profile and management and leadership structures. The cost of the curriculum is largely driven by the average teacher cost, the extent to which teachers are teaching (see later for contact ratio) and the size of classes. Effecting a change in the average teacher cost takes time, often involves restructuring (management, classes or timetables) and can also demand a change in the recruitment strategy.

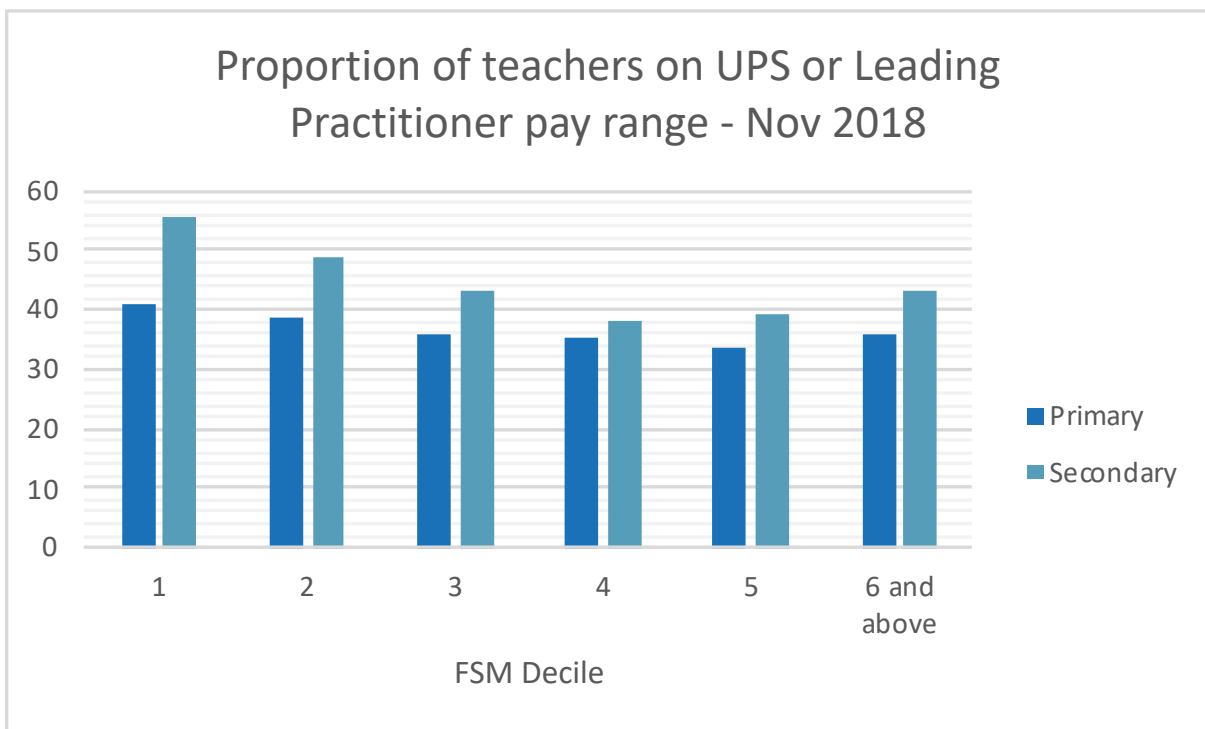
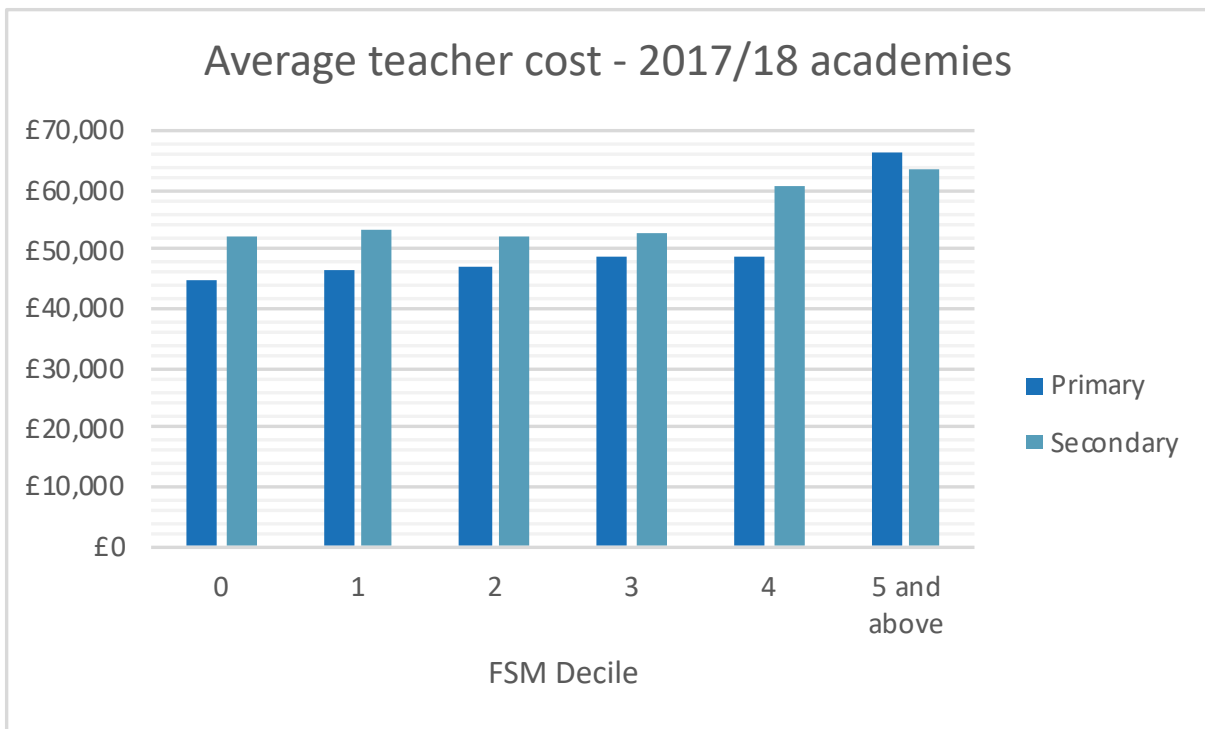
Warning Signs: Almost every school feels that "we have more UPS teachers than other schools". Schools with a change in leadership can sometimes be heard to reflect that "the previous Head gave out TLRs like sweets".

Spend on teaching staff as a percentage of total income - 2017/18 academies



Average teacher salary - no on-costs - Nov 2018





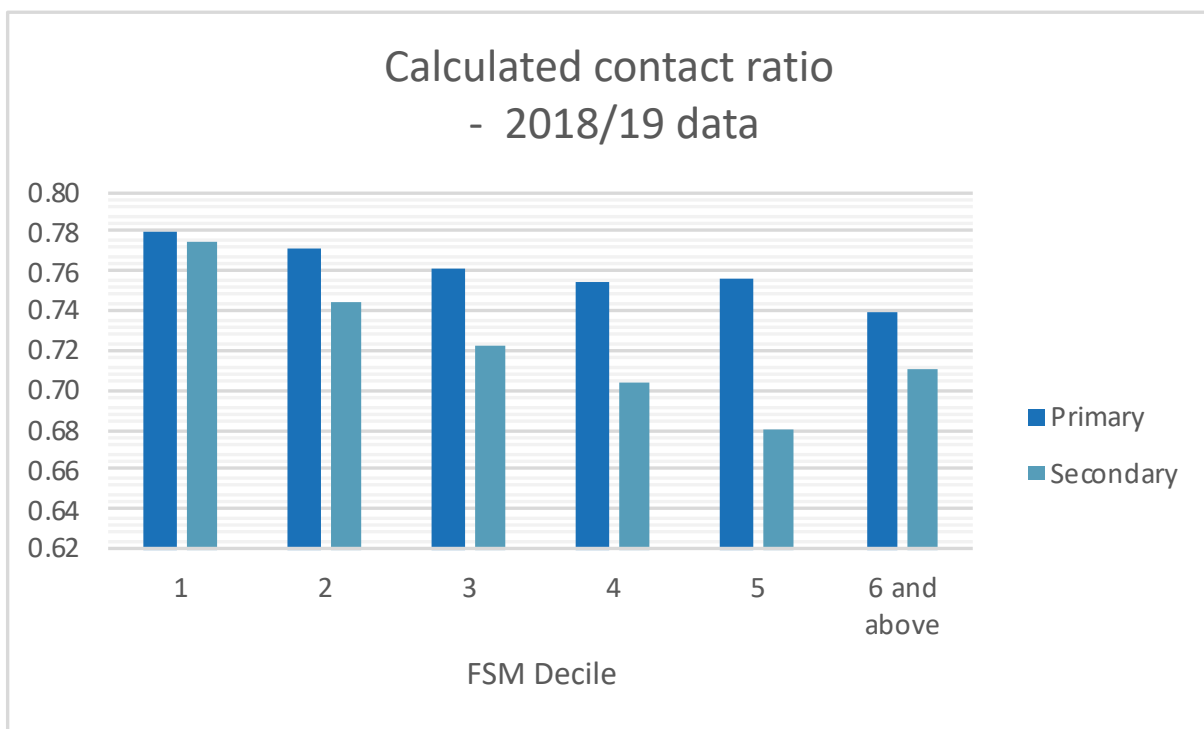
Recommended Action: The school is recommended to look at the staffing profile and management structures and plan a staffing strategy, implementing over 3 to 5 years. There are no quick wins, but a plan can give structure for managing opportunity.

Contact ratio and staff deployment

Issue: Contact ratio is the second key ICFP metric connecting financial and curriculum planning. An understanding of the way choices about non-contact time affect the cost of the curriculum can inform decisions about management, leadership, learning support and supply cover.

Warning Signs: It is not unusual to find that there are three different answers to the question “how many teachers do you have”, with one involving counting of fingers. A school with good SRM will have clear information about the number of teachers, the costs and full detail on how their time is deployed. In a school with excellent integrated planning the finance lead will be able to explain the basis of staff deployment and the education/timetable leaders will understand the cost of non-contact time.

The often quoted 0.78 contact ratio is not a target or a scientifically proven mark of excellence. Schools in areas of greatest need will often have a much lower contact ratio reflecting the greater demands on class teachers and those teachers with management roles.

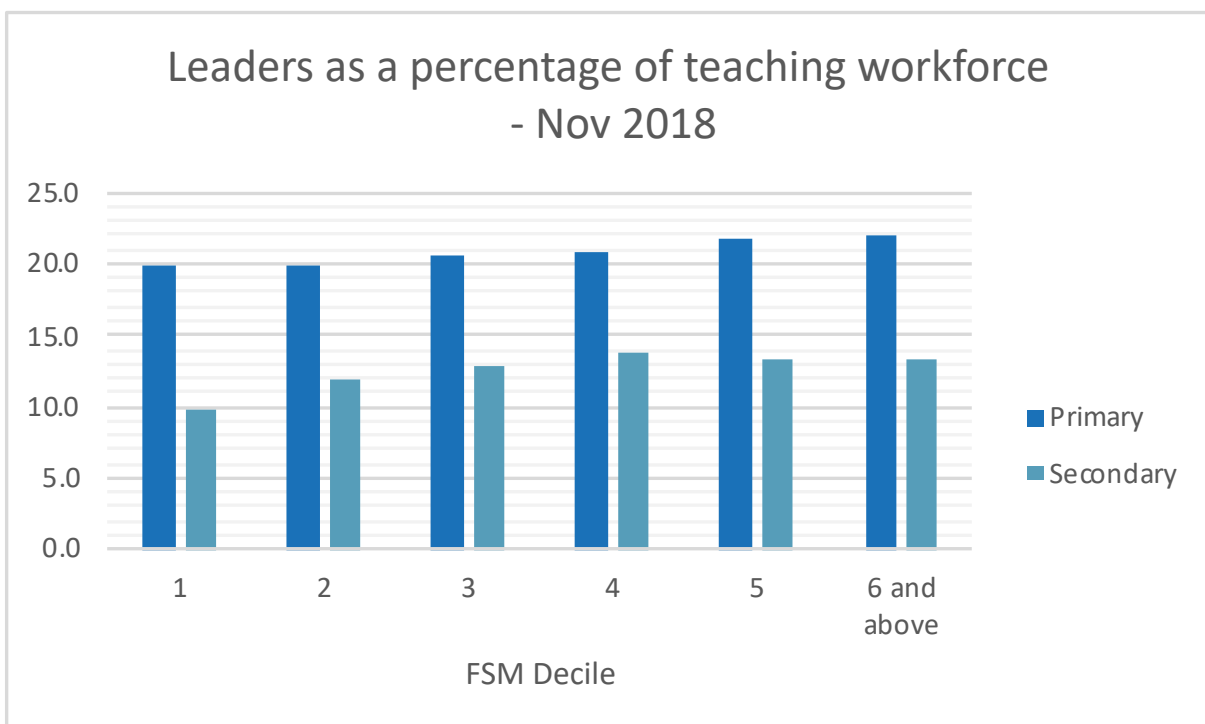
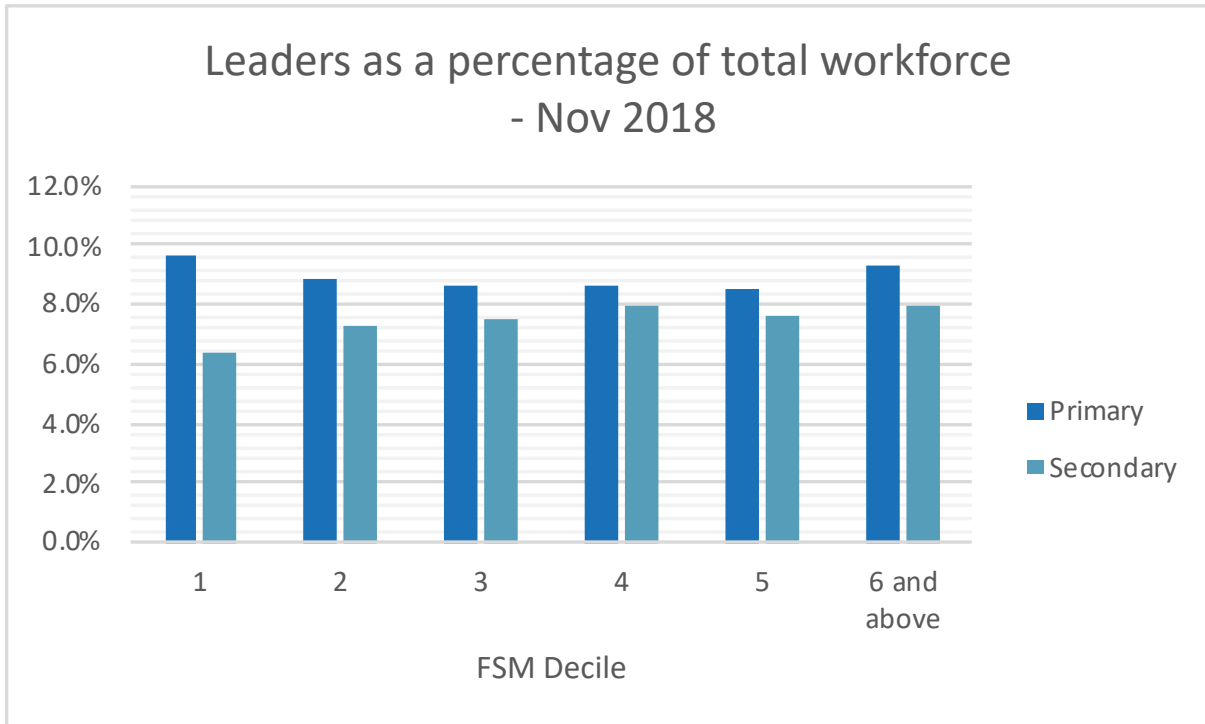


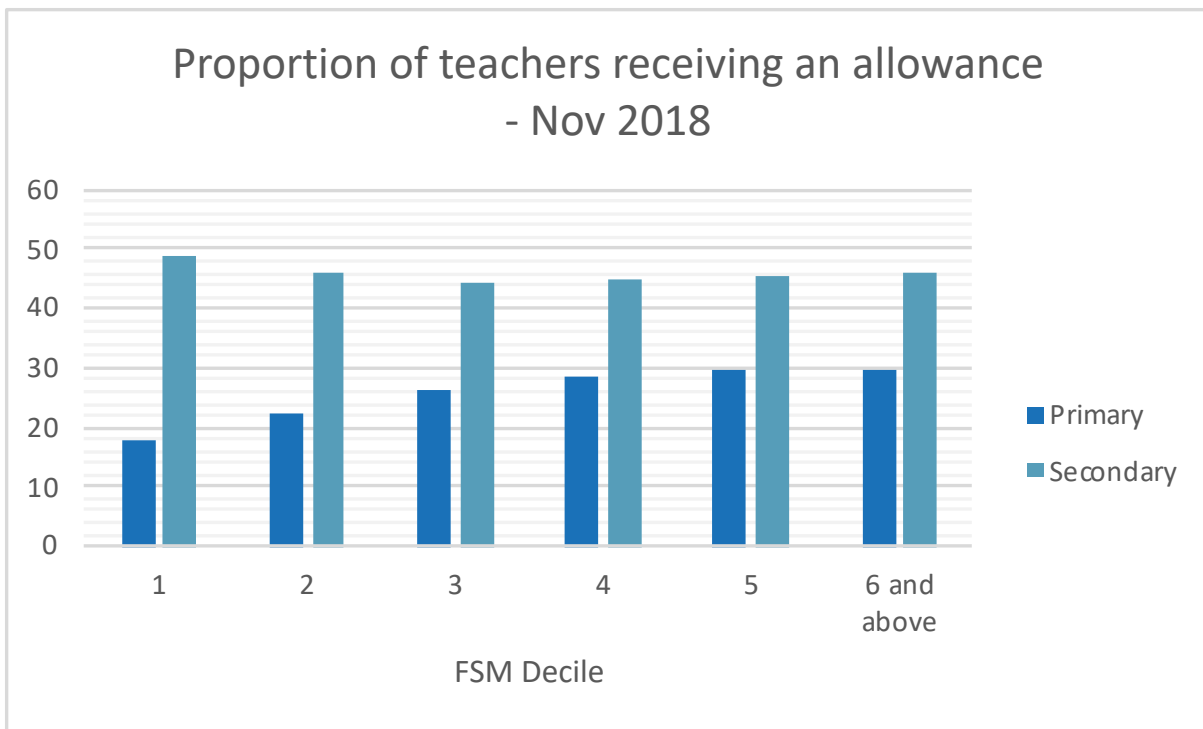
Recommended Action: The school is recommended to prepare a list all the teachers on the payroll, with their total cost and FTE, plot out how their time is really deployed, check that management time is in line with agreed policy and reflect on cost-effectiveness of everything that isn't class teaching. The school is then in a position to decide how it should be for the future based on real evidence of now.

Leadership and management

Issue: Decisions about leadership and management will have an impact on the Average Teacher Cost and Contact Ratio. This element is highlighted specifically because of the crucial connection to successful school improvement.

Warning Signs: It is sometime the case that a leadership structure remains in place even when the context or size of a school has changed, or that volume and capacity have increased when the real issue was one of effectiveness.





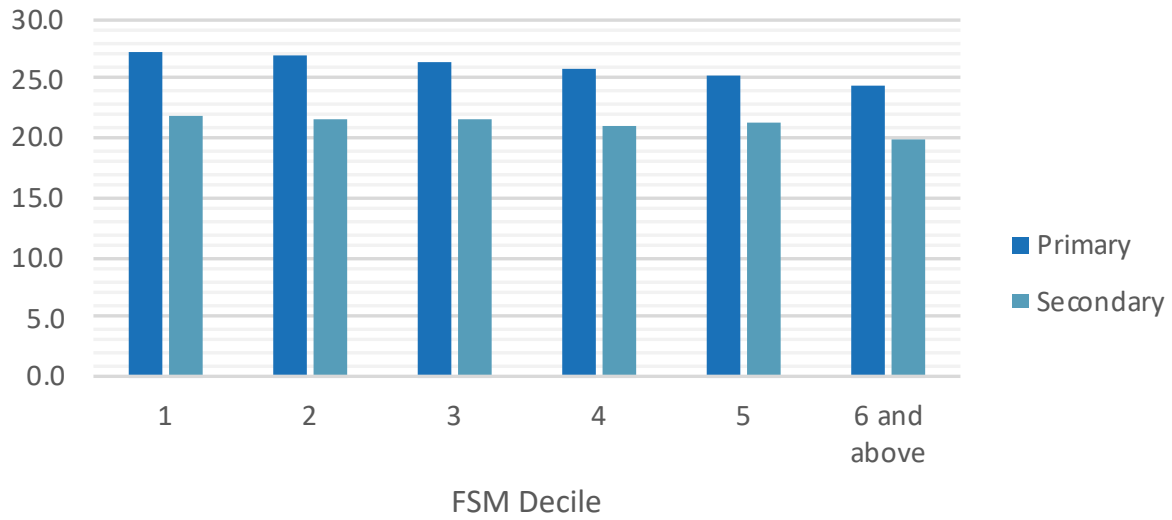
Recommended Action: The NLE may need to consider whether governors/trustees might need external support to review and address management and leadership arrangements given personal implications for the SLT. Careful stakeholder management and a medium-term perspective will be required plus a strong link to the school improvement strategy.

Class size, structure and choice

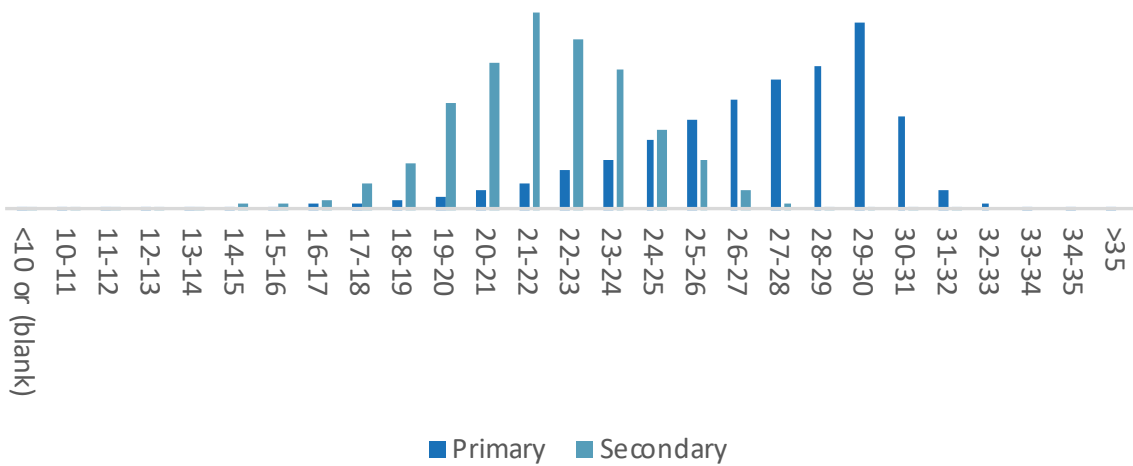
Issue: Average class size is the third key ICFP metric connecting financial and curriculum planning. In a secondary school this is the size of timetabled classes which is likely to be different, especially in KS4, from tutor or form groups and some digging into the detail may be required.

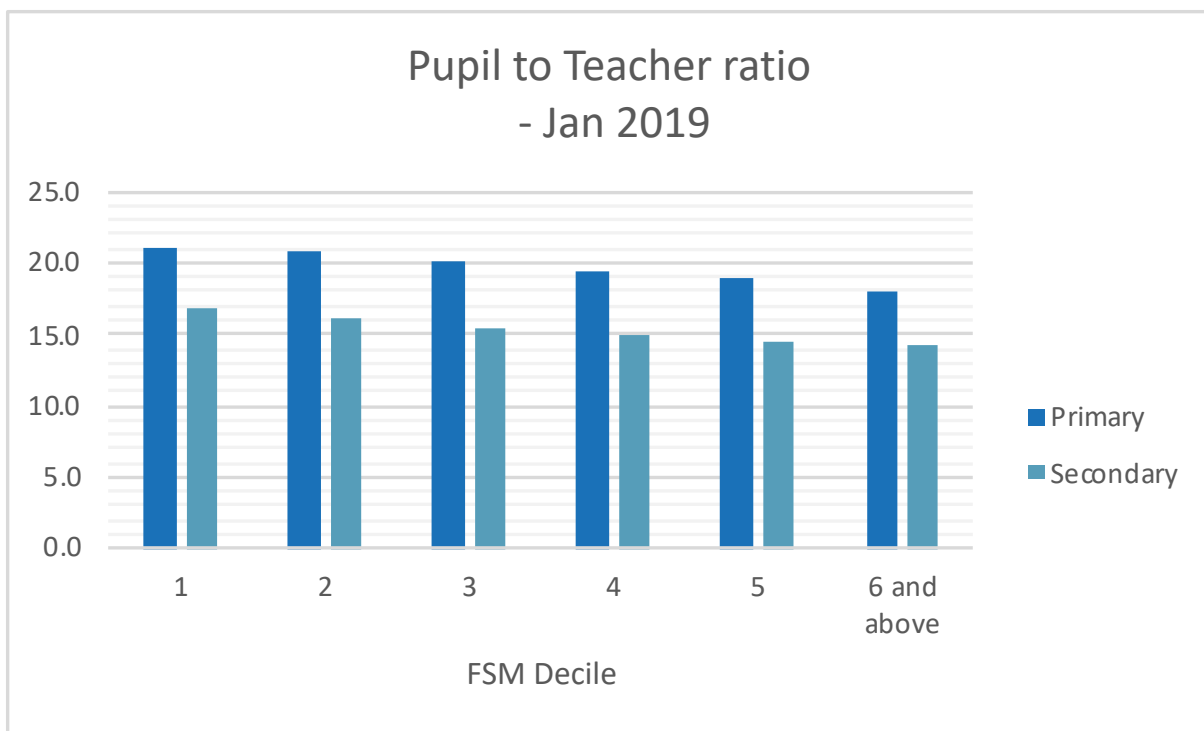
Warning Signs: In secondary, the signs include the rolling forward of the previous year's timetable structure despite change in pupil numbers. In primary schools, the class structure may have become rigid due to physical space constraints or opportunities, natural symmetry or historic arrangements.

Average size of a class with one teacher - Jan 2019



Distribution of average size of a class with one teacher - Jan 2019





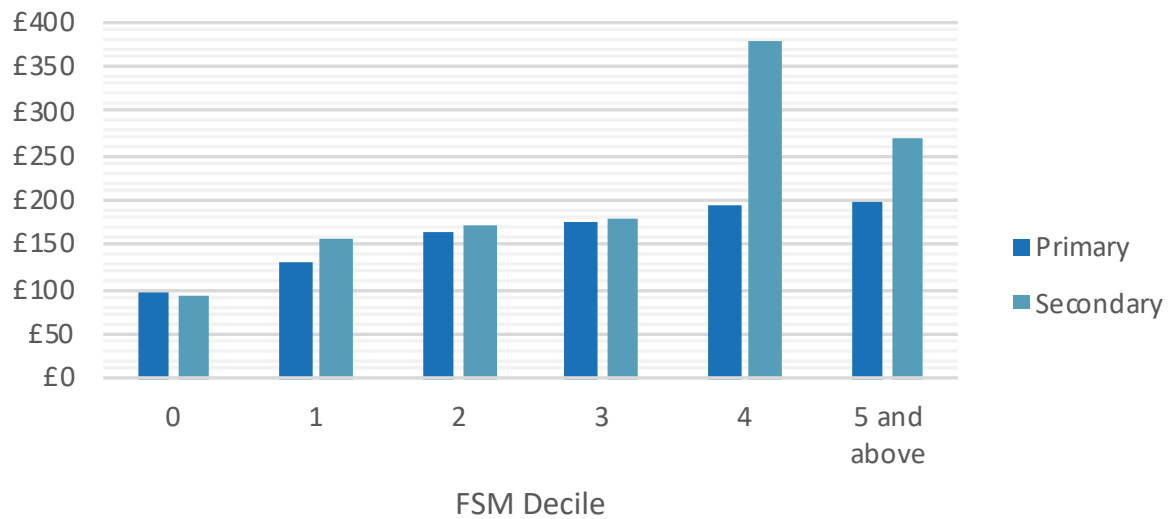
Recommended Action: The school is recommended to model the implications of organising pupils in different groups, linked to pupil number projections, with sensitivity analysis, understand the evidence about implications and opportunities for learning.

Absence management and cover arrangements

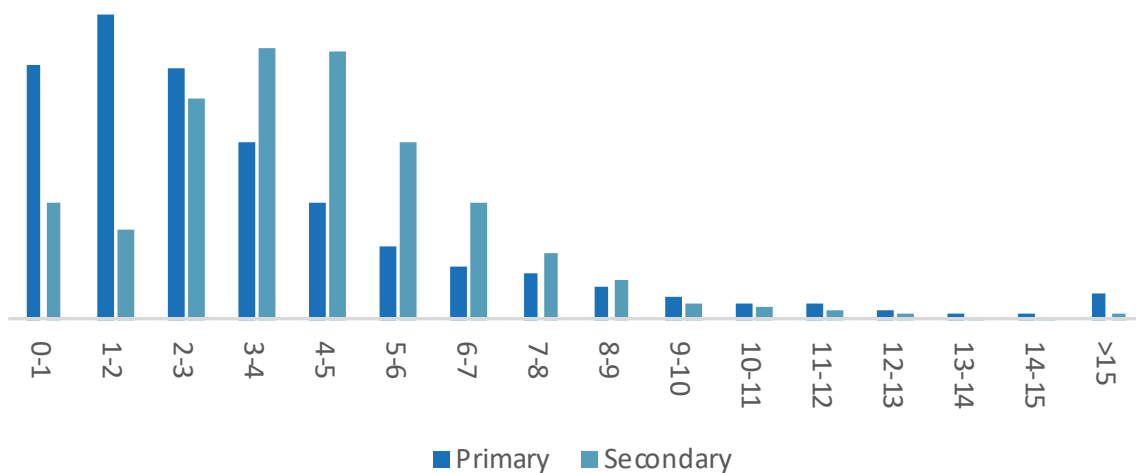
Issue: The direct cost of supply cover and insurance is often a relatively modest proportion of total spend but these arrangements have potential for a disproportionate impact on learning. In addition, internal cover arrangements imply a choice about how teachers spend their time most effectively that may not be consistent with the priorities of the school.

Warning Signs: These include senior leaders covering supply “because it is cheaper”, sometimes representing a desire to spend time with pupils rather than strategic problems. It is also worth looking to see if there is active management of staff wellbeing and of absence (whether related to sickness or trips out of school with pupils). The workforce data shows that average days lost to sickness in the secondary sector are generally higher than in primary schools which may, in part, reflect the size of the school.

Average spend on supply per pupil - 2017/18 academies with full year data



Distribution of average number of teacher days lost to sickness - Nov 2018

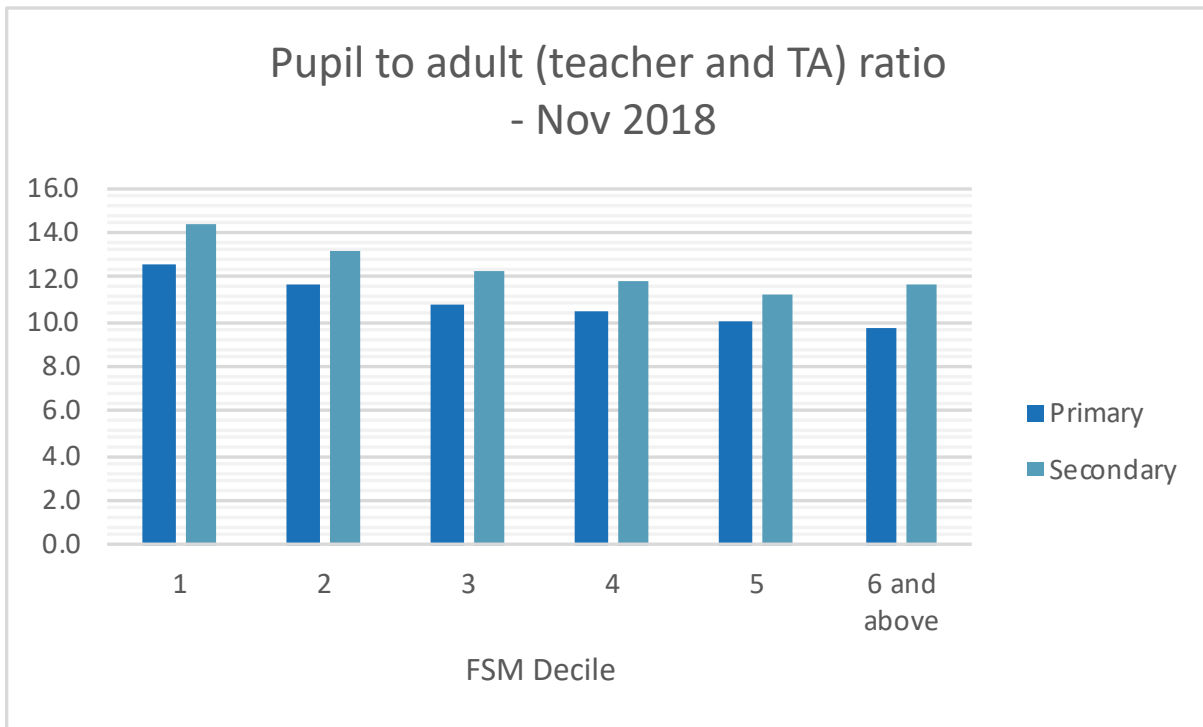


Recommended Action: The school is recommended to take time to understand the data, understand the full cost of the current cover arrangements, look at the variation between planned and actual internal cover, review staff sickness data, understand the implications for learning, decide on a plan, implement and monitor its effect.

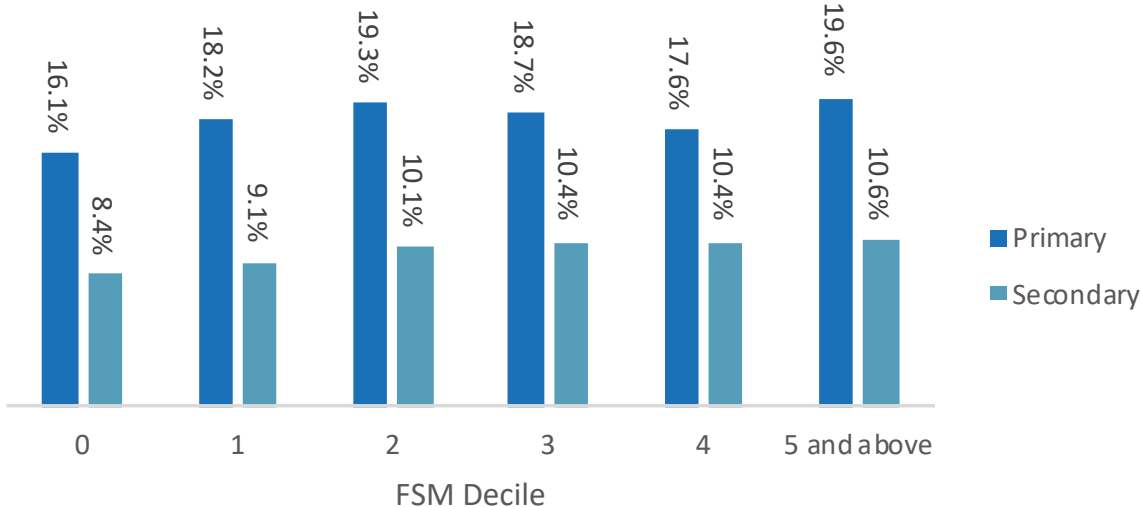
Education support staff ratios and deployment

Issue: Education support staff and resource level are often the first to take a hit when finances are tight, without a full understanding of cost-effectiveness, particularly when considering the balance of responsibilities between teachers and support staff.

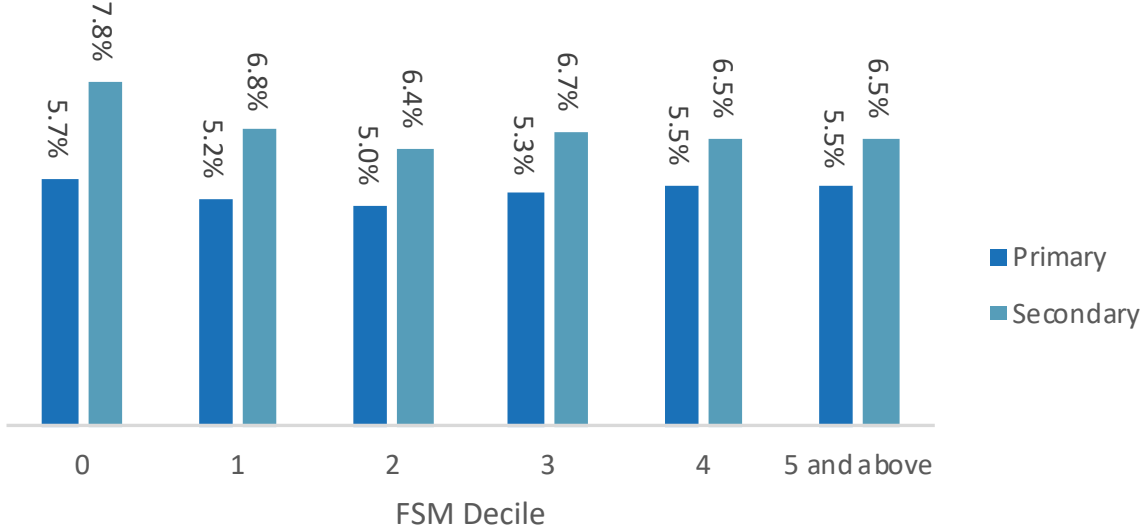
Warning Signs: These might include TAs counted in FTEs or hours rather than impact (on learning and prevention, for pupils and teachers). Conversely, there may be a focus on maintaining a particular volume of teaching assistants when alternative arrangements may be as effective or reflect a change in need.



Spend on Education Support Staff as a percentage of total spend - 2017/18 academies



Spend on educational resources as a percentage of total spend - 2017/18 academies

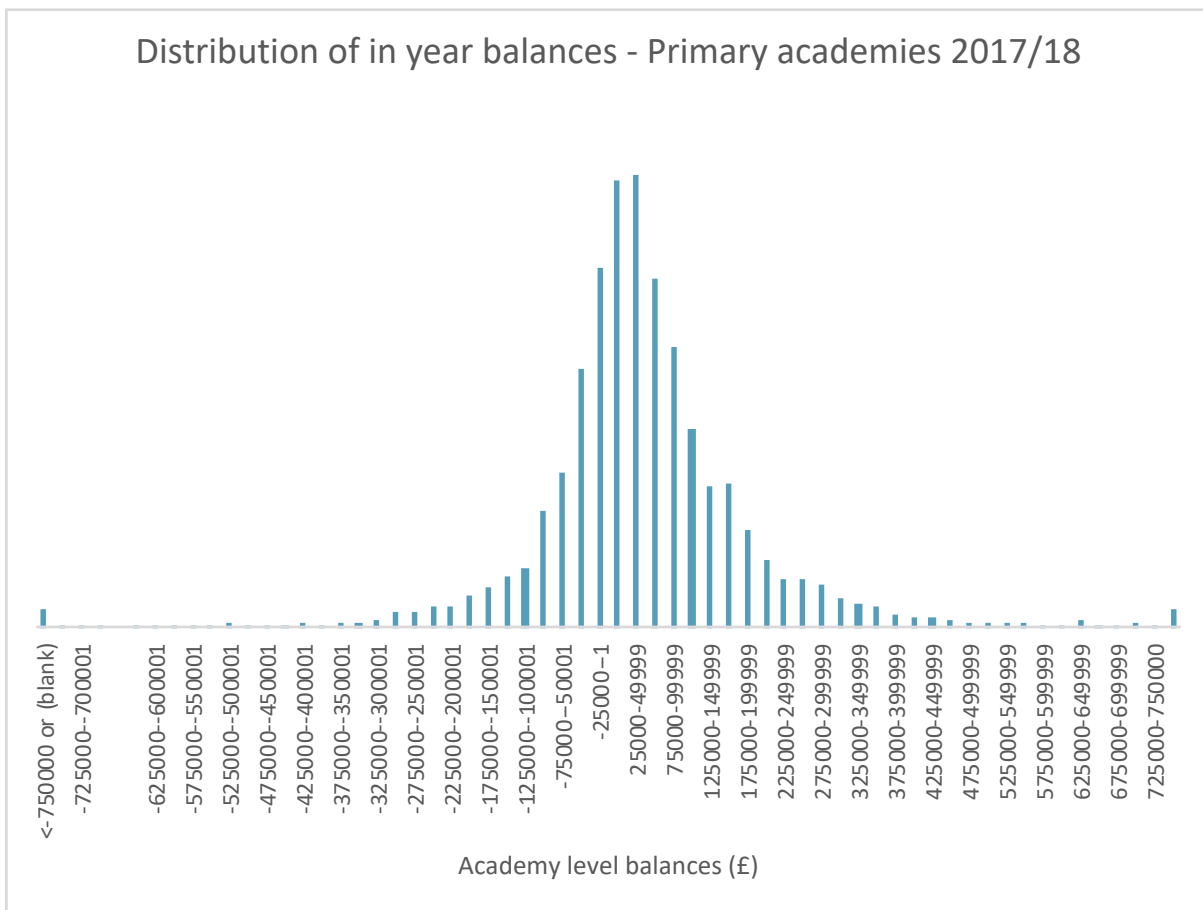


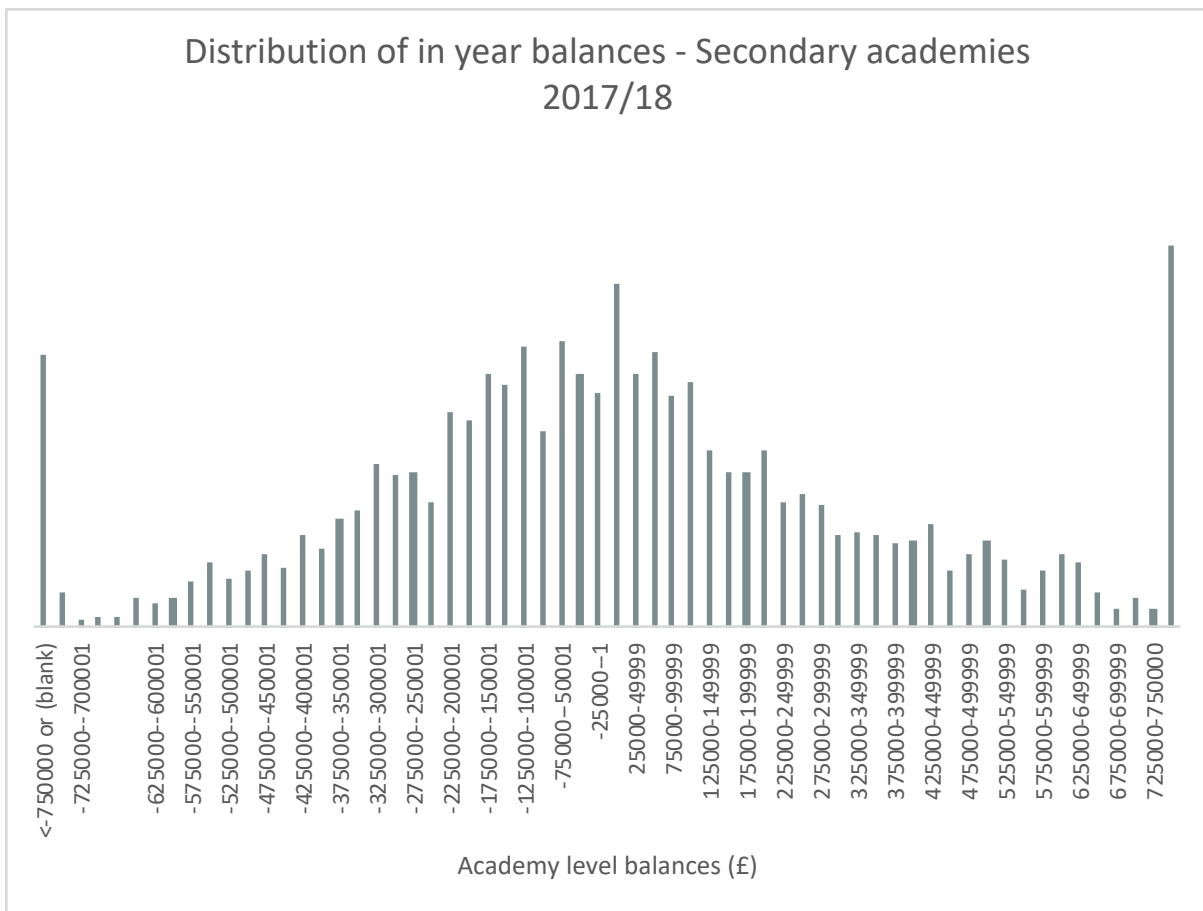
Recommended Action: The school is recommended to complete a cost-effectiveness analysis, drawing on research and local evidence and understanding pupil need and find the best balance between teachers and support staff that is affordable.

Strategic planning, balances and risk management

Issue: Poor strategic planning is likely to mean reserves are being drawn down, with a cliff edge approaching (or already in free fall). Poor strategic planning, without consideration of multiple planning scenarios means that a school is not ready to respond swiftly and effectively to windfalls or changes in the funding landscape. Whilst it is clear that more than half the schools in England have had an in-year deficit and for some this has occurred over more than one year, this is clearly not sustainable in the medium term.

Warning Signs: The reserves policy may not be linked to an assessment of risk and there might be no strategic financial plan, with budget planning focusing on one year only. There may not be an effective reserves policy at all. Phrases such as “it is all too uncertain” and “there is a funding crisis nationally, everyone knows that”. Some senior leaders point to long experience that suggests that three-year plans always look bad, but it turns out alright in the end, which is the strategic planning equivalent of banking on the cavalry riding over the hill.





Recommended Action: The school is recommended to make some planning assumptions (and document them), assess the risks, draw up the best possible plan, with a strong educational narrative, and implement with full regard for stakeholder engagement. The Department has recently published a suite of resources on integrated curriculum and financial planning and these can be found at:

<https://www.gov.uk/guidance/integrated-curriculum-and-financial-planning-icfp/>

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