

Education Update: Finance

Delivered by Carole Barclay, Senior Finance Partner, Avec and Michelle Thompson, Lead Service Development Partner, Avec



Agenda

- Budget planning: Current key considerations
 - Current and future funding levels
 - Sparsity factor
 - Pay freeze
 - Pupil premium update
 - Pupil numbers
 - ICFP
 - The importance of a narrative report
 - Challenge and budget monitoring
- Other financial considerations
 - The ongoing financial impact of Covid-19
 - Consultation on the centralisation of the payment of business rates
 - The budget cycle

Carole Barclay, Senior Finance Partner


Carole is one of two senior partners who lead the Finance Team. As a qualified accounting technician, Carole spent 21 years working in various financial roles with Durham County Council, which included 7 years as an LA education auditor, regularly leading school financial systems audits. Carole has arranged the procurement of key services for 7 Academies, provided financial support for 7 converter Academy Trusts and 1 Free School, and has successfully led the conversion process in one stand-alone Academy, 6 Multi-Academy Trusts and 6 Academies joining already established Multi-Academy Trusts.

Michelle Thompson, Lead Service Development Partner

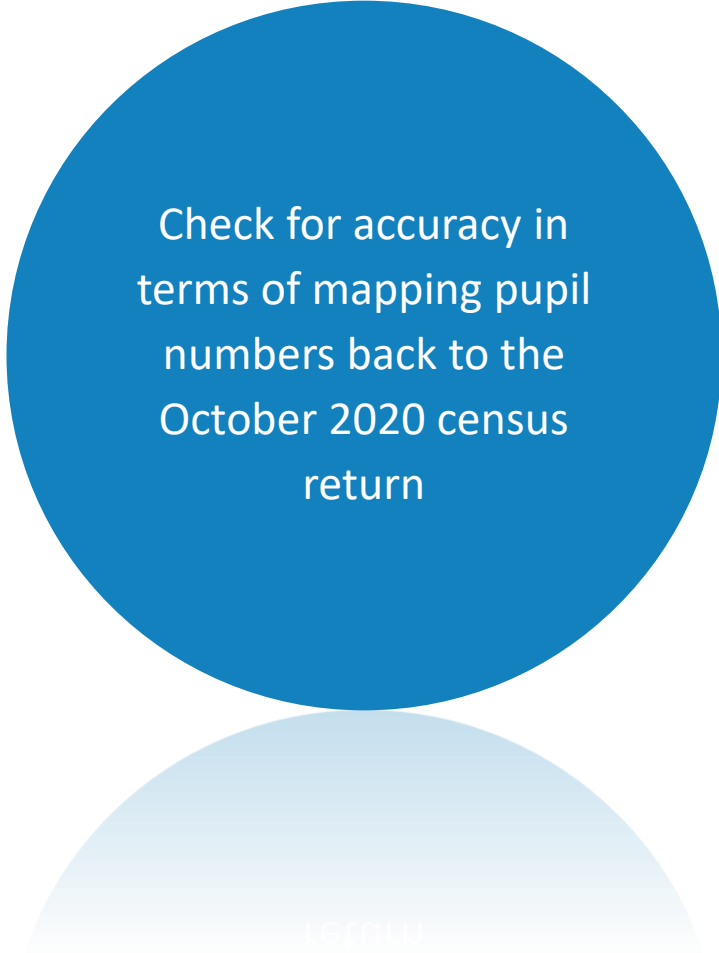
Michelle joined us from an administrative role in a busy Primary School, having previously worked for Darlington Borough Council for over 20 years in Finance, IT Support and Customer Services. Michelle provides high quality finance support across a range of Academies and Multi-Academy Trusts. Michelle's role with customers is varied but includes month end procedures, budget monitoring and procurement as well as year-end, audit preparation and budget setting. Michelle also provides budget planning software system training to customers. More recently, Michelle has qualified as a School Resource Management Advisor (SRMA).

Budget Planning: Current Key Considerations

Budget and medium-term financial planning – what is important for 2021/22 and beyond?



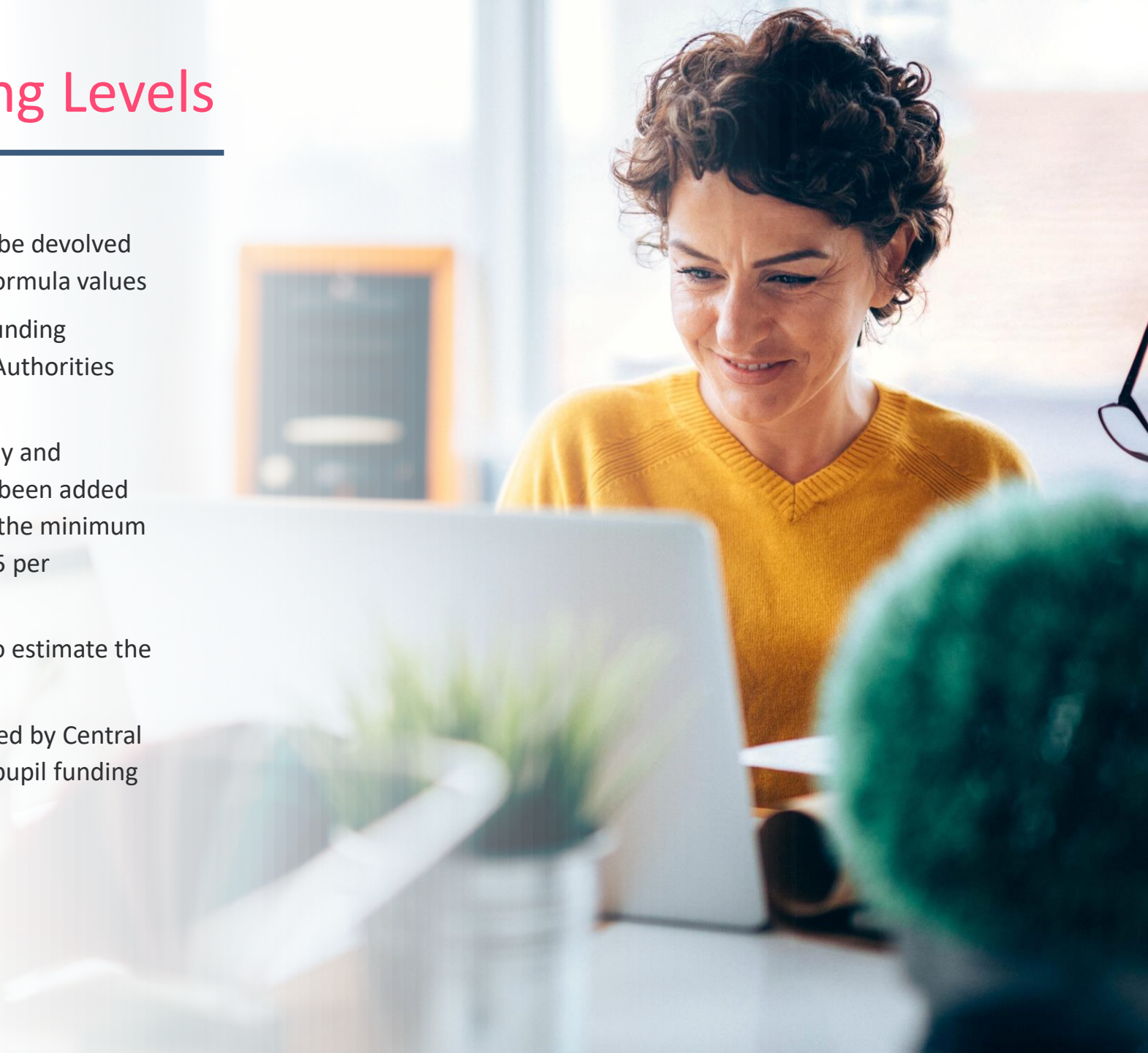
Schools and Academies
should have received
the 2021-22 funding
allocation



Check for accuracy in
terms of mapping pupil
numbers back to the
October 2020 census
return

Current and Future Funding Levels

- Funding for the 2021/22 academic year continues to be devolved to Local Authorities based on the National Funding Formula values
- Ongoing delay in moving towards a 'hard' National Funding Formula, means that for 2021-22 and 2022-23 Local Authorities have retained the flexibility to set local formulae
- Funding previously received through the Teachers' Pay and Teachers' Pension Employer Contribution Grants has been added to the formulaic allocations in 2021-22 by increasing the minimum per-pupil funding by £180 per primary pupil and £265 per secondary pupil
- As well as predicting your pupil numbers, you need to estimate the future funding levels
- Increases to core school funding allocations announced by Central Government for 2021-22 included an overall 3% per pupil funding and a similar overall increase in 2022-23 is planned



Sparsity Factor

- On 2 March 2021, the Department for Education (DfE) launched a consultation around changes to the method of calculation of the “sparsity factor” in the National Funding Formula in 2022-23
- Key discussion points include:
 - Measuring sparsity distances by road journeys rather than ‘as the crow flies’
 - Reflecting actual distances between Schools in rural locations
 - Increase the maximum sparsity factor values by £10,000 across all phases
- Consultation closes on 9 April 2021



Pay Freeze

- In November 2020, the Government announced a public sector pay-freeze for 2021-22 for all staff earning above £24,000 and a £250 per year increase for lower paid workers (FTE for workers earning less than £24,000 per year)
- The pay freeze is binding on the School Teachers Pay and Review Body, but non-binding on Local Authorities
- Academy colleagues should liaise with Boards of Directors to ensure a decision is made
- Maintained Schools should liaise with their Local Authorities
- Decisions need to be made around estimated uplifts to both teaching and support staff pay awards with effect from April 2022 and teachers from September 2022



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Budget Planning: Current Key Considerations

Pupil Premium Update

- On 1 February 2021, the DfE announced that pupil premium per-pupil rates would remain unchanged for the financial year 2021-22
- From 1 April 2021, pupil premium allocations will be calculated based on the number of eligible pupils recorded in the October 2020 census rather than the January 2021 census
- Care should be taken to assess the impact of this change

Pupil Numbers

- Pupil numbers should be refreshed regularly and new, reasonable projections, based on most up to date pupil data, should be produced
- It is a requirement of the Academies Financial Handbook that Directors review and challenge the pupil number projections that underpin revenue projections, on a termly basis

(ICFP)

- Integrated Curriculum and Financial Planning (ICFP) is a process that enables schools to deliver the best curriculum within the context of available resources and to maximise financial efficiency
- It is a planning activity that uses key metrics to support decision making
- DfE has put increasing emphasis on the need for Academies and Schools to integrate their curriculum and financial planning
- ICFP is considered of such importance to the DfE that its introduction has been made a condition of a number of grants



The Importance of a Narrative Report

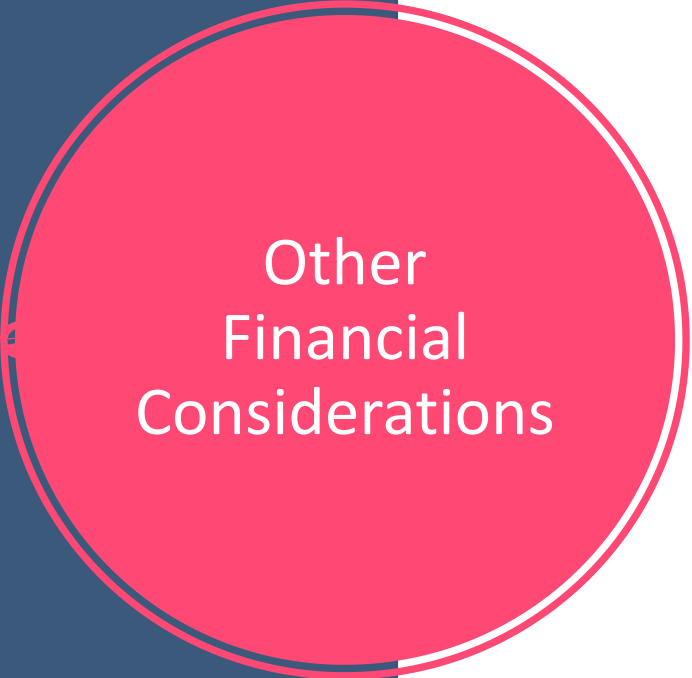
- We recommend that all key budget assumptions, along with areas of financial opportunity and risk, should be documented in a detailed narrative report for Governors/Directors
- This will enable Governing Bodies and Board of Directors to more effectively perform their duties in line with the scheme for the financing of Schools and the Academies Financial Handbook

Challenge and Budget Monitoring

This budget narrative report will:

- Increase the knowledge and understanding of both Governors and Directors
- Encourage appropriate challenge both during the budget setting process and at key budget monitoring points during the financial year



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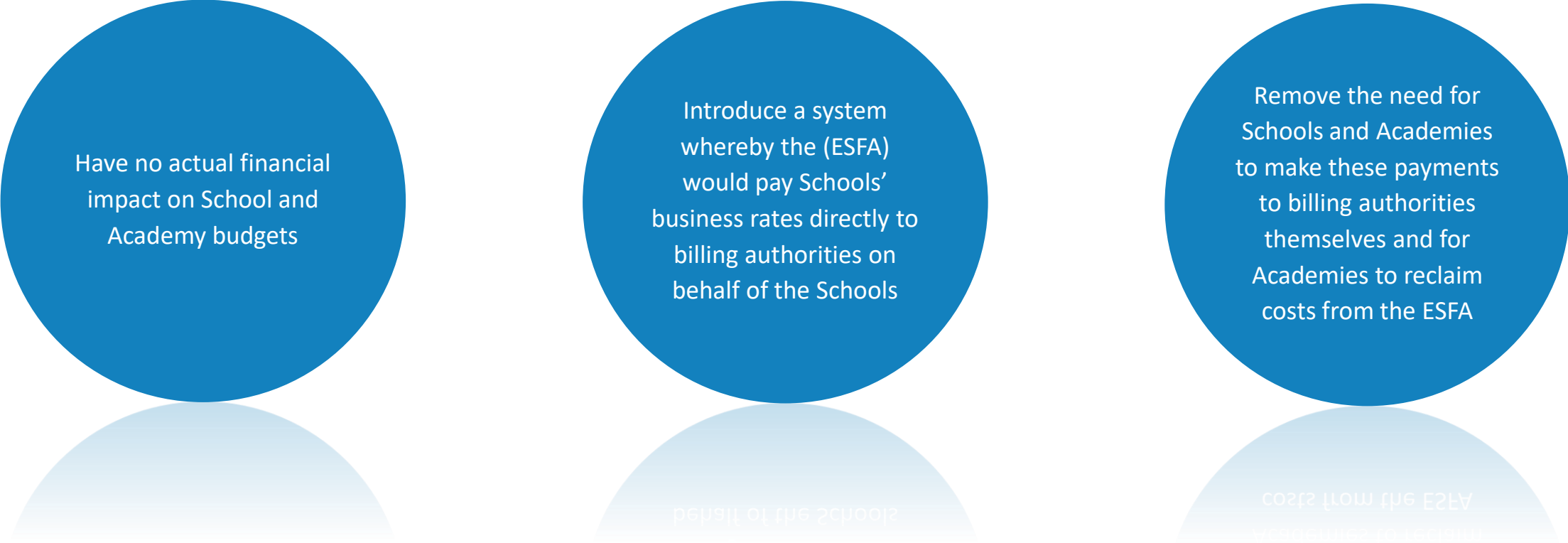
Other Financial Considerations

The Ongoing Financial Impact of Covid-19

- Continue to monitor the potential financial impact of the pandemic on your School/Academy budget
- Additional costs and the reduction of certain income streams may have a detrimental effect on your budget
- No further funding for additional costs incurred as a result of the pandemic is expected to be made available
- As a result, these costs and any lost income will need to be met by redirecting existing resources
- Schools were advised to support their at-risk suppliers to ensure business and continuity and to protect jobs
- Where this has been the case, and you have agreed to any form of supplier relief, you should work in partnership with the supplier to plan an exit from the agreed interventions and transition to a new, sustainable, operating model as soon as possible

Consultation - Centralisation of the Payment of Business Rates

Closing on 5 May 2021, the DfE has launched a consultation which seeks views around a proposal to centralise the payment of business rates for state-funded schools from 2022-23, this would:



Have no actual financial
impact on School and
Academy budgets

Introduce a system
whereby the (ESFA)
would pay Schools'
business rates directly to
billing authorities on
behalf of the Schools

Remove the need for
Schools and Academies
to make these payments
to billing authorities
themselves and for
Academies to reclaim
costs from the ESFA

repaid to the schools

costs from the ESFA
reclaimed by schools

The Budget Cycle

- The importance of multi-year budget planning and accurate and timely pupil projections cannot be underestimated
- At key points during the financial year, it is considered imperative that close liaison between the School's finance and HR professionals take place, enabling well-timed decisions around staffing structures to be prioritised
- Watch our HR Education Update, where our colleagues will explain the importance of timely intervention where staffing structures require change



Live Q&A Session – 20 April

Join our experts from EPM, Avec and Southalls on
Tuesday 20th April from 2.00 - 3.00pm

We will be discussing the following topics:

Governance
Finance
Health & Safety
HR
Payroll
Safer Recruitment
Wellbeing

You can submit your questions in advance or ask them
live on the day.

We look forward to seeing you there!





Thank you for joining us

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