

# School Finances: the basics

Part of the Governor Services *Introduction to Governance* Series

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**OXFORDSHIRE  
COUNTY COUNCIL**

# The role of the board

There are two main roles for any governing board in the financial management of the school. This includes maintained and academy schools.

## **Statutory Role:**

The board's core statutory function is to oversee financial performance and make sure public money is well spent. This is reviewed annually using the [Schools Financial Value Standard \(SFVS\)](#) which is compiled and signed off by the board and submitted to the Local Authority.

## **Strategic Role:**

Ensure there is a clear link between the school's [vision, strategic aims and the annual School Improvement Plan](#) and the budget that is set.

SFVS  
Information



# Board's statutory role 1

## Key statutory duties include:

- Setting a budget within available resources
- Ensuring spending is kept within budget
- Ensuring funds are spent for the educational purposes of the school (*for the benefit of the pupils*)
- Ensuring resources are used wisely and that value for money (VFM) is secured
- Ensuring that the school adheres to all Local Authority (LA) financial rules and regulations or trust regulations for academy schools
- Establishing sound financial controls to ensure the reliability and accuracy of its financial transactions
- Providing financial information to parents on the [pupil premium](#) and the [sports premium](#) which must be published on the school's website



Pupil  
Premium

PE and Sports  
Premium

**G**OVERNOR  
SERVICES



# Board's statutory role 2

## Schools Financial Value Standard (SFVS)

This annual review helps **maintained schools and local authorities** meet basic standards for good financial health and resource management.

The standard is made up of a number of questions about financial management within the school together with some basic **benchmarking data**. Benchmarking allows the board to compare aspects of their school with other schools.

### For boards there is an annual requirement to:

- Review the school's standard which will be drafted by senior leaders
- Sign the standard off as an accurate statement for submission to the Local Authority.

It is important that the board takes the time to fully consider the standard; has the board gained adequate assurance and evidence that the school is compliant?



# Key duties

## How well does your board perform these statutory responsibilities?

Consider each bullet point here.

- What does your board do well?
- How could this be improved?
- How do you know?
- Where is the evidence?

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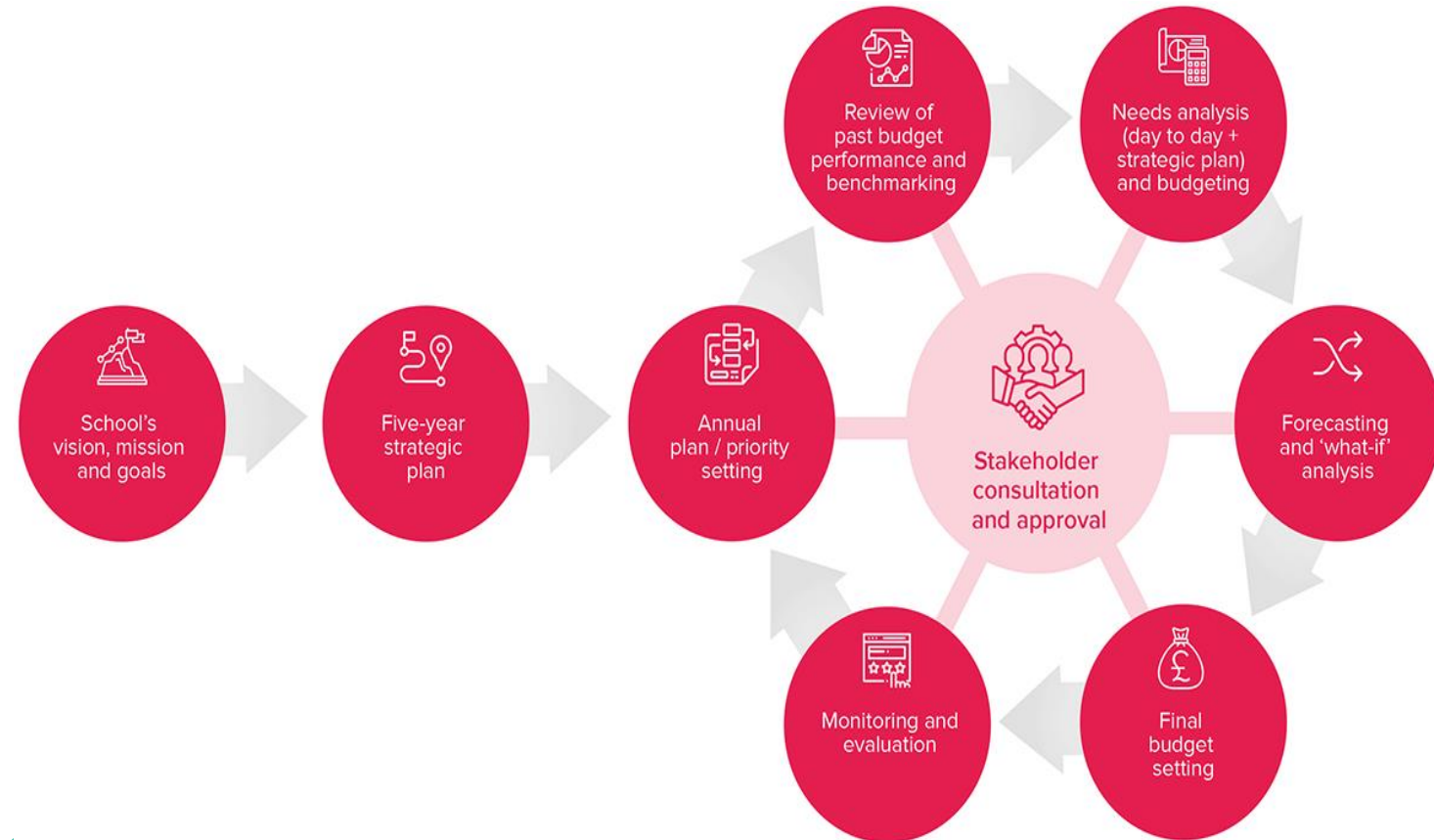
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# Board's strategic role

An effective budget needs to support your school's strategic priorities for raising standards and attainment. In other words, your money needs to be spent on improving outcomes for children and ensuring your school is safe and compliant.

You can do this by making sure your budget is closely aligned with your **school vision, strategic plan** and **school improvement plan** (SIP) and reflects your school's education priorities.



More information about vision is available in the **Vision, Ethos and Strategic Direction** module from this series

# Finances and strategic direction

To ensure that the budget does support the school's **mission, vision and goals** consider the following questions using your school's current budget paperwork:

- What does the board need to do to secure the future of the school in
- What does the board need in order to raise standards in the school?
- What does the board need to spend this year and next to make this h reflect this?
- Is the SIP costed and how does this tie into the overall budget?



It is really useful to discuss this with either your mentor or a member of the Finance or Resources Committee. All governors are responsible for the school's finances and should understand how funds are used to achieve the school's vision.



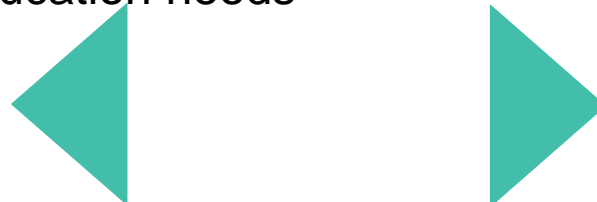


# Schools funding overview

For maintained schools, most of the school funding is received through the **Dedicated Schools Grant** (DSG).

For academies, this is through the **General Annual Grant** (GAG).

- The DSG and GAG are wholly Government funded. *For maintained schools, this grant is ring-fenced so the LA cannot use the funds for other purposes*
- The amount of the grant varies from year to year based on the number of pupils and the allocated amount per pupil but is the same for both academy and maintained schools.
- The DSG/GAG come to the LA or Trust in 3 separate blocks, each at a different rate of funding per pupil:
  - **School Block** funds primary and secondary school aged children in both LA maintained schools and academies
  - **Early Years Block** funds eligible 2-4 year old children in both LA maintained schools and academies
  - **High Needs Block** funds special schools, pupil referral units, additional funding and support for children with special education needs





# Schools Forum

Primary and secondary maintained schools and academies get most of their funding through a local school funding formula. This is agreed in consultation with the **Schools Forum**.

## Schools Forum

The Government requires every local authority to set up a Schools' Forum. Its purpose is to provide strategic direction for the funding of schools in the LA and support services in relation to new school funding arrangements.

More details of Oxfordshire Schools Forum can be found following the link:

[Schools Forum](#)



# Additional LA sources

In addition to the DSG direct funding the LA does have other areas of educational spending that schools may be able to access.

These services include:

- Special Education (e.g. Educational Psychology Service)
- Health and Therapies (e.g. speech and language)
- School Improvement
- Access (e.g. music services)
- Social workers and safeguarding
- Looked After Children
- Family Support Service
- Children's Centres



# Additional school funding

You can read more about these funding sources by using the links on Slide 3.

Other sources of funding for schools are:

- **Pupil Premium**

All maintained and academy schools in England get extra grants from the government to help them improve the attainment of their disadvantaged pupils. Schools get pupil premium funding based on the number of their pupils who receive free school meals or who are either currently looked-after or have been looked-after children. This count happens in the January.

- **Service Premium**

Schools get an agreed amount for every pupil with a parent who is either currently serving in HM Forces or has retired on a pension from the Ministry of Defence. This funding is to help with pastoral support.

- **PE and Sports Premium**

Most schools with primary aged pupils receive PE and Sports Premium to make additional and sustainable improvements to the quality of PE and sports within the school.



# School funding sources

DFC  
Information

UIFSM  
Information

Other sources of funding for schools:

- **Devolved Formula Capital (DFC)**

This capital grant gives schools and support centres, money to invest in their buildings, grounds and ICT equipment in order to improve educational standards. The grant allocation for each school is determined using pupil numbers from the previous year's annual census return. It is based on a fixed allocation per school and an allocation per pupil according to the type of school. **Universal Infant Free Schools Meals (UIFSM)**

This provides funding for all maintained and academy schools to offer free school meals to pupils in Reception, Year 1, and Year 2.

- **Money Raised by the School**

The school can raise money in a variety of ways including renting out the school premises; providing support to other school and fund raising.



# School funding

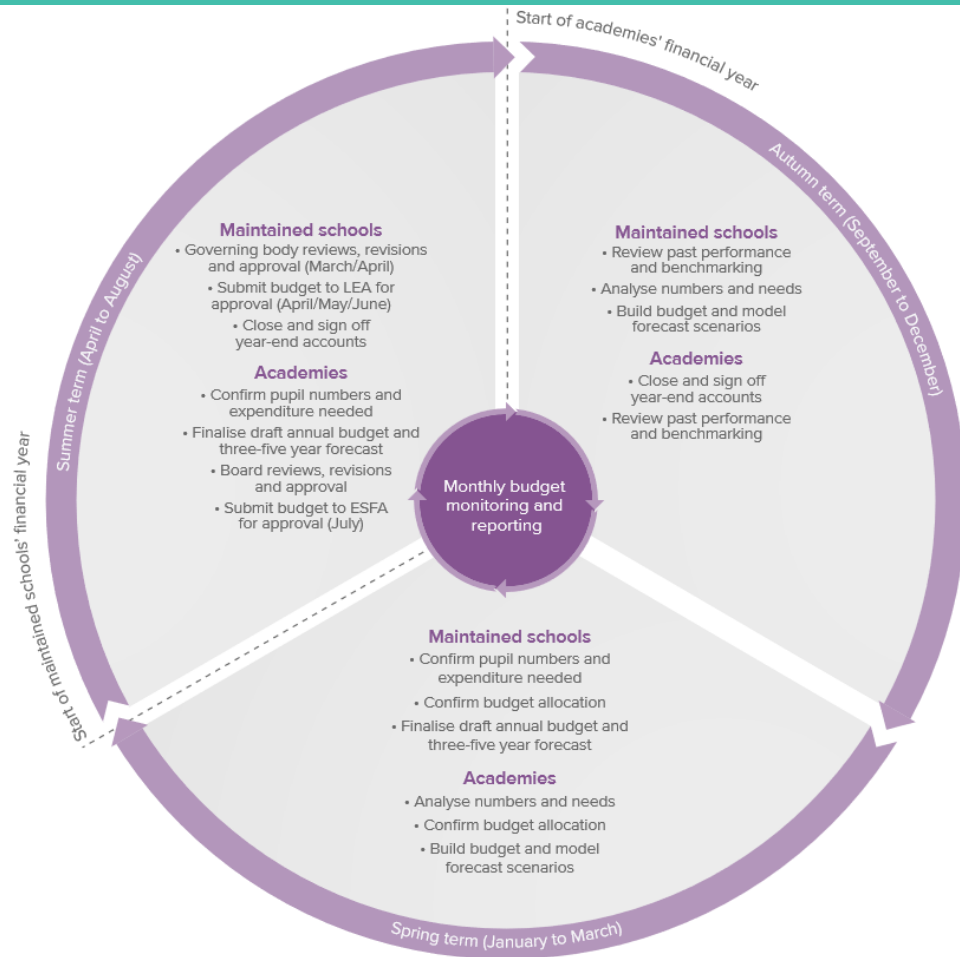
## Reflect on your school's funding sources.

- Are you clear about where all the funding comes from and what it is for?
- How does your board monitor the use of these different funds to ensure they support your strategic vision, aims and School Improvement Plan?
- Does the use of the funds actually raise the standards of achievement for your pupils? Where would you look for evidence?
- What role does the governing board have in this?



# Annual financial cycle

What financial information does your board receive?  
Do you receive the right financial information at the right time to support your annual work programme?



The annual financial cycle differs for maintained schools and academy schools. Maintained schools follow the financial year of the LA whereas academy schools have a financial year aligned to the academic year. This can make the alignment of the budget to the vision aims and School Improvement Plan more difficult in maintained schools.

This diagram breaks the financial year down into school Terms and allows you to see what you should expect at both maintained and academy schools.



# Forward planning

When preparing and reviewing the School's Three Year Financial Plan, the board should consider whether it:

- Links to the objectives, policies, and School Improvement Plan
- Fits within the resources available both financial and non-financial
- Includes teachers' and other staff pay awards and incremental progressions
- Includes assumptions on inflation and contractual increases
- Meets the timetable for preparation set by the LA, or Academies the ESFA

Each LA will have different deadlines, but it is normally set sometime between 31<sup>st</sup> March and 15<sup>th</sup> May each year. For Academies the ESFA usually requires budget submissions by 31<sup>st</sup> July each year.





# Budgetary control 1

As part of your responsibility to ensure solvency and probity and that the financial resources available to the school are managed properly and effectively, your board should:

- Rigorously review the budget submission prior to sign off
- Receive monitoring reports at least 6 times a year
- Conduct financial analysis relating to the school's budget
- Compare the budget against the actual expenditure as part of the monitoring reports
- Challenge over and under spends
- Request that the Headteacher takes remedial action where required
- Update the financial plan if significant events change the financial landscape of the school



# Budgetary control 2

## Surplus Balances:

For maintain schools, any surplus balances need to be managed in line with the LA's scheme for financing schools. There are strict rules around the management of surpluses as the consensus is that the funding should be spent in the year, on the pupils to which it relates. Oxfordshire LA's scheme for financing schools can be found following the link.

[Scheme for Financing Schools](#)

Academies should manage surpluses in line with the Academies Financial Handbook. There are no thresholds set by the ESFA but they require academies not to carry excessive surplus balances for long periods of time, and especially beyond the period that a pupil would be attending your school. The Academy Trust Handbook (previously known as the Academies Financial Handbook) can be found following the link.

[Academy Trust Handbook](#)



# Budgetary control 3

## Deficit Balances:

Schools and academies are not allowed to go into a deficit budget, i.e. spend more money than they have.

The LA Scheme for Financing Schools and the Academy Trust Handbook detail the actions that the LA or the ESFA will take if any schools do plan for and/or end the year in a deficit position.

Boards of schools and academies that fail to manage their finances appropriately and within their means can face removal of their delegated budget so they cannot control their own finances.



Chronicle / Katy Raddatz



# Budgetary control 4

## **Private School Funds:**

These must be administered as rigorously as other school funds but are separate to the Devolved School Budget. They are subject to:

- If there is more than £1,000,000 going through the account, the appointment of qualified independent auditors
- Registration with the Charity Commission where required
- High standards of financial management
- An annual audit of accounts
- Require two signatures on cheques
- Regular reporting on accounts to the board
- Submission of a copy of the audited accounts to the LA



# Additional support

Further information about finances in your school will be available from your Chair or your Chair of the Finance Committee (or your equivalent). *Please ask for copies of monitoring information and the latest school budget if you have not seen these already. Check you understand your role in the process.*

Consider any other training needs you have. There may be other modules in this series that would help you in your governor role or you may benefit from joining one of our face to face training sessions. *Details of these are available from your clerk or by contacting Governor Services.*

If you have additional questions, do get in touch with Oxfordshire County Council Governor Services, who will be happy to support you:

Email: [GovernorServices@Oxfordshire.gov.uk](mailto:GovernorServices@Oxfordshire.gov.uk)

Phone: 03300 249046



# Quiz and feedback

We hope you have found this introduction to the **School Finances** helpful.

Please use the link below to access the quiz and feedback.



**Quiz**

*Thank you for completing this training and for your valuable feedback.*

