

## Financial Planning Checks

The following top 10 planning checks are to support school and academy governors by providing information to help governors understand effective financial management. Governors can then use this information to make sure their school is efficient in managing its resources.

Governors should use these checks early in the annual budget planning cycle and when looking ahead at the 3 to 5 year position.

Senior staff in schools and multi-academy trusts (MATs), including finance directors and business managers, will also find this guide useful.

We use the term governor for school governors and academy trust members and trustees.

### 1. Staff pay as percentage of total expenditure

Staff pay is the single most expensive item in the school budget, representing typically over 70% of expenditure.

Questions governors might want to ask include:

- how much of the budget is spent on staffing compared to other similar schools?
- how does the percentage for teaching staff, for curriculum support staff and for other support staff expenditure lines compare to other similar schools?
- how does your school's pupil outcomes – such as value added – compare to other similar schools relative to spend on staffing?
- what are staff costs as a percentage of total expenditure compared to similar schools? [Financial benchmarking](#) tools help with this
- what are staff cost as a percentage of total income? Staffing costs over 80% of total income are considered high. (Costs as a percentage of total expenditure can appear artificially low when a school is overspending and expenditure is higher than income, hence this question in addition to the one above).
- if teaching costs are relatively high, is this due to the number of teachers or a relatively high proportion of high paid staff?

### 2. Average teacher cost

This measure is calculated by dividing the total teaching cost by the full time equivalent (FTE) number of teachers.

Questions governors might want to ask include:

- if the average teacher cost is high in comparison to other similar schools; is this due to the staffing grade profile, such as a high number of staff on the upper pay scale, or is it due to the responsibilities structure in the school, such as the Teaching and Learning Responsibility (TLR) scale, or another reason?

- how far is your school utilising its pay flexibilities – for example, to differentiate pay by teachers' performance?

### **3. Pupil to teacher ratio (PTR)**

This measure is calculated by dividing the number of FTE pupils on roll by the total number of FTE teachers. A relatively low PTR suggests small class sizes. In addition to benchmarking the PTR schools may want to review the average PTR and pupil to adult ratios in state funded schools by type by looking at the [national school workforce statistics](#).

The ratio of pupils to all curriculum adults is also relevant, especially in primaries where the use of teaching assistants in place of teachers can skew the PTR. The Education Endowment Fund has published [advice on effective use of support staff](#). Their survey of current evidence found that teaching assistants are a 'high cost' intervention with a 'low impact' on pupil outcomes.

Questions governors might want to ask include:

- what is the PTR for different educational levels within their schools?
- how does the school's PTR compare with other similar schools? If it is significantly different, what is the rationale for this?
- how does the ratio of pupils to adults (teachers and support staff) compare to similar schools?

### **4. Class sizes**

The smaller the class size the greater the cost of delivery per pupil. Governors should ensure that class size plans are affordable whilst supporting the best outcomes for pupils.

You may find it helpful to look at the Education Endowment Foundation's [evidence on the impact and costs of reducing class size](#)

Questions governors might want to ask include:

- what are the average class sizes by key stage, and by options at key stages 4 and 5?
- what class sizes does your school aim to achieve – and what is the educational rationale for this?
- are there any small classes where the funding generated by the pupils does not cover the cost of delivery? This can be especially important at key stage 4 and 5 where class sizes for some subjects can fall.
- do you know the maximum average class size that the school can operate at within the context of the pupil admissions, the structure of the building, the numbers in different year groups and the need for intervention strategies?

## 5. Teacher contact ratio

This measure is calculated by taking the total number of teaching periods timetabled for all teachers in the school and dividing that by the total possible number of teaching periods (the number of teaching periods in the timetable cycle multiplied by the FTE teachers). All teachers should have a guaranteed minimum of 10% timetabled planning, preparation and assessment (PPA) time. Therefore the teacher contact ratio will always be lower than 1.0.

The Association of School and College Leaders (ASCL) advocates 0.78 as an aspirational target for the ratio, on the basis that that represents approximately 10% of all teacher time in planning and preparation, 10% in management activity and allows 2% margin. You can view the [ASCL model](#).

Questions governors might want to ask include:

- how does the school's teacher contact ratio compare to other schools?
- how does the utilization of curriculum staff impact the overall budget efficiency? The higher the ratio the more efficient the curriculum planning is.
- how does your school compare against the ASCL aspirational target? What is the rationale for any difference?
- are teaching staff undertaking roles that could be deployed to support staff?

## 6. Proportion of budget spent on the leadership team

Schools have many different leadership and management structures and comparisons are not straight forward. The total number of teachers in the leadership group (FTE) is collected in the Workforce Census annually and each school's underlying data is included in [published school workforce statistics](#).

Some schools calculate the cost of non-class based leadership time as a percentage of total expenditure and compare to similar schools by collaborative exchanges of summary information. Likewise, multi academy trusts can compare across their member schools where they are similar.

Questions governors might want to ask include:

- how does this compare to similar schools taking into account any contact time the leadership staff have?
- if there is more than one school in your trust/federation are the leadership structures proportionally the same?
- how has your school made decisions on the proportion of its budget to be spent on the leadership team?
- if this is relatively high or low compared to similar schools, is this because of the size of the leadership team, or their pay?

## 7. 3 to 5 year budget projections

Governors will want to see 3 to 5 year financial projections and the assumptions made to cost them. Assumptions you may want to review include projected pupil

numbers, free school meal numbers, likely pupil premium income and projections of the staffing that will be necessary in these years. Schools should plan their staffing based on multi-year projections of curriculum needs.

Questions governors might want to ask include:

- how confident are you that pupil number projections are realistic? If there is uncertainty then Boards should be given three scenarios: cautious, likely, and optimistic. This applies to all key assumptions but especially pupil number projections and funding rate assumptions.
- if the optimistic scenario indicates financial difficulties is the school addressing a recovery plan now?
- if the cautious budget indicates potential financial difficulties do you know what contingency plans the school has to overcome them?
- are there any issues in the medium term that should be addressed now?
- how will current decisions impact medium term budgets?
- what do we need to put in place now to ensure we have the necessary funding in the future?

## **8. Spend per pupil for non-pay expenditure lines compared to similar schools**

MAT trustees may want to compare their level of top slice to other MATs, what it is used for, and how it provides value for money (VFM) for member academies

Questions governors might want to ask include:

- what is the spend per pupil for catering, ICT, estates management, business administration, energy and curriculum supplies?
- if benchmarking indicates a relatively high spend on a particular expenditure line do you know why?
- are the reasons unavoidable or are further efficiencies possible?
- if the cost of energy seems high compared to similar schools, are there opportunities for investment in energy-saving devices to reduce the cost?
- if spend on learning resources seems high compared to similar schools, are there opportunities for collaborating with other local schools to bring costs down?

## **9. School improvement plan priorities and the relative cost of options**

The budgetary process sits firmly within the strategic leadership framework and should link into the overall management and planning cycle rather than being seen as an additional activity that is the sole responsibility of the finance manager.

Questions governors might want to ask include:

- are school improvement initiatives prioritised and costed and linked to the budget?
- are all new initiatives fully costed before the school is committed to the proposal?

## **10. List of contracts with costs and renewal dates**

Each year your school will need to review its contracts across all of its services to determine which ones are due for renewal. It is important that contract renewal is planned for and aligned with school requirements.

Questions governors might want to ask include:

- are all contracts due for renewal re-tendered/reviewed for VFM before renewal?
- are there any regular payments for services that are an invoice only contract?
- are these included on the contracts list and reviewed for VFM too?