



STRATEGIC FINANCIAL MANAGEMENT & VALUE FOR MONEY

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Strategic Financial Management & Value for Money

1. Purpose
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Strategic Financial Management & Value for Money

1 Purpose

- 1.1 The purpose of this guidance note is to advise schools on some of the key principles of strategic financial management and how to achieve value for money in the context of the school budget

2. Strategic Financial Management

- 2.1 Sound financial management and controls are essential to schools because they provide an effective framework for financial planning and accountability and safeguard the use of public funds
- 2.2 In the context of financial management good leadership is essential in ensuring and demonstrating that the financial resources in school are being used efficiently and effectively.
- 2.3 A school that is well managed financially will not only use its financial resources properly but will also be seen by others to do so, is likely to be well managed in other respects and is therefore a better all round school
- 2.4 Schools must be willing and able to show how they have used their financial resources and be able to respond honestly to questions about financial probity.
- 2.5 Financial management must be open and transparent and have integrity. The minutes of the Governing Body meetings are a strong source of evidence in demonstrating the discussions held and the decisions that have been made by the school and the governors
- 2.6 Openness, transparency and integrity are widely accepted to be the key underpinning principles of good corporate governance.
- 2.7 Strategic financial planning is crucial to good financial management practices.
- 2.8 Strategic financial planning is the process whereby an organisation defines its strategy and direction and then makes decisions about allocating resources (funding and people) to pursue this strategy.
- 2.9 In the context of schools, strategic financial planning is about bringing together the overall

- 2.10 Setting a School Budget that is informed by the School Development Plan will ensure that the resources available fit in with long term plans, achieve the objectives economically and are targeted efficiently at improving the quality of educational outcomes and standards
- 2.11 A well run school that implements sound strategic financial planning and management suffers less financial loss and waste, and therefore has more to spend on pupils
- 2.12 All schools must ensure that their financial arrangements comply with the current Financial Regulations and Standing Orders of the City Council and the Birmingham Fair Funding Scheme of Delegation.

3 Value for Money

- 3.1 Schools are facing some very challenging financial circumstances in future years.
- 3.2 Forecasts for public expenditure suggest much tighter funding and those with financial responsibilities in all public services have to consider how resources can be put to best use
- 3.3 Schools therefore have to consider how resources can be put to best use.
- 3.4 Value for Money is about achieving the best possible outcomes for pupils in the most efficient way and at a reasonable cost
- 3.5 Value for Money comprises of three main elements:

3.5.1 Economy

Securing goods, services and personnel at the best price for a given level of quality

3.5.2 Efficiency

The best deployment of goods, services and personnel to achieve a set of outputs

3.5.3 Effectiveness

The right mixture of outputs to achieve a particular set of outcomes. It is up

4. How Can Schools Improve Value for Money?

The former Audit Commission identified 6 areas where a school can challenge itself to improve its Value for Money:

- Consider the financial implications of its plans
- Review its financial surplus or deficit
- Ensure that the goods and services it buys represent value for money
- Using the school workforce to best effect
- Collaborating with other local schools
- Using data and information to support better decision making

4.1 Considering the Financial Implications of School Plans

4.1.1 School Development Plans set out aims and objectives and the activities that will enable them to be met

4.1.2 A well developed Plan will help target resources efficiently and SDP's should always include the resource implications of proposed activities

4.1.3 The School Development Plan should:

- Consider all significant activities in every year

- 4.2.5 Schools can ensure current balances are spent appropriately on the pupils on roll at the current time by having plans in place and linking those plans to current priorities.
- 4.2.6 School balances can only be spent once so schools must be sure that the balance is not committed to recurring expenditure in the future

- The deployment of non education staff i.e. employment of an ICT Technician, and generate income by contracting with other schools

See Appendix D – Questions to consider

4.5 Collaborating With Other Schools

4.5.1 A variety of different collaborative approaches can be used ranging from informal networks to formal federations

4.5.2 The benefits of collaborations include:

- Sharing information and awareness about markets for goods and services
- Economies of scale in purchasing
- Sharing leadership and other staff resources

4.5.3 Local circumstances will determine the most effective way of working together

See Appendix E – Questions to Consider

4.6 Using Data and Information Well

4.6.1 Schools already make good use of performance data and information to improve pupil outcomes i.e. examination results

4.6.2 Fewer schools currently make good use of the financial information available to them i.e. the financial benchmarking website

4.6.3 Schools that benchmark their financial performance annually will be able to compare spending with other schools to identify potential for savings

4.6.4 The benefits of benchmarking come from a comparison with others and understanding why differences exist.

See Appendix F – Questions to consider

Other resource documents to support Value for Money judgements can be found at Appendix G and Appendix H

QUESTIONS TO CONSIDER

CONSIDERING THE FINANCIAL IMPLICATIONS OF SCHOOL PLANS

- How well do your spending patterns reflect the School Improvement Plan and priorities?
- How well does your School Improvement Plan cover staff costs?
- How does the 3 Year Financial Forecast and School Improvement Plan assess potential changes in pupil numbers or major costs?
- What contingency arrangements does it include?
- How will you know if the assumptions made in the plan prove to be too optimistic?

Appendix B

QUESTIONS TO CONSIDER

REVIEW OF SURPLUS AND DEFICIT BALANCES

Is your surplus balance in excess of the recommended level?

If so, what is your plan to reduce the balance? Is it working?

How confident are you and your governors that the plan will reduce the balance?

How well does the extra spending link to your School Improvement Plan priorities?

Can you be sure that your surplus balance is not committed to recurring expenditure?

Do you have a Deficit Repayment Plan?

How will you achieve it?

Is it working?

Appendix C

QUESTIONS TO CONSIDER

ENSURING GOODS AND SERVICES REPRESENT VALUE FOR MONEY

How well do your choices of goods and services align with your School Improvement Priorities?

Which goods and services cost you the most and which do you spend more on than other schools?

Have you reviewed whether there are better or cheaper alternatives?

Are you reviewing the quality and cost of each individual service/contract bought annually?

Are you confident that school staff have appropriate authority to take buying decisions?

Are you confident that the thresholds over which quotes and tenders must be sought are understood and reported?

QUESTIONS TO CONSIDER

EFFECTIVE DEPLOYMENT OF THE WORKFORCE

How well does the pattern of staff deployment follow your schools vision and the priorities outlined in the School Improvement Plan?

How do you ensure that this happens?

How well do you understand the long term financial consequences of creating a new post?

How does any proposed new post support the school's vision and School Improvement Plan?

How has the school assessed the value for money of different supply and cover staff arrangements and any temporary staff?

What options have been explored?

QUESTION TO CONSIDER

COLLABORATING WITH OTHER SCHOOLS

QUESTIONS TO CONSIDER

USING DATA AND INFORMATION

Which areas of your spending are h 2110 13.931531535()-175.248(h 21179 /R10

Appendix G

Name of Budget Holder:

Order No:

Cost Centre:

Purchase date:

Please complete details below in relation to the attached copy order. Return the completed questionnaire to the Finance Office urgently. Your views will be analysed to assist with ensuring 'Value for Money'

(Please tick as appropriate)

| | | | |
|--|-----|--------|----|
| Did you consult with other staff within your department before making this purchase? | Yes | Partly | No |
|--|-----|--------|----|

Did you consult with pupils for their view on the suitability of the purchase?

Yes Not Relevant No

(insert name) School

Value for Money Strategy Document

1. Introduction

1.1 This document establishes *(insert name)* School's Value for Money Strategy for purchasing. It sets out :

- Why a value for money strategy is needed;
- The benefits to the school of having a Value for Money strategy,
- The key approaches to Value for Money
- The schools purchasing structure;
- The schools proposed approach to delivering value for money in purchasing;
- Key implementation and monitoring targets;
- Proposals for taking the strategy forward.

1.2 The Strategy will, at this stage, concentrate on obtaining value for money in purchasing. This can be extended to other key areas, such as the delivery of curriculum, at a later date should the Governing Body feel this would be beneficial.

2. Why the Strategy is needed

2.1 Value for money is a statutory duty on local authorities to secure continuous improvement in the way that services and functions are exercised by the most economic, efficient and effective means possible. Whilst value for money does not apply statutorily to school governing bodies, schools are expected to demonstrate that they are following value for money principles in their expenditure of public money, and as part of their evaluation of standards, the curriculum, partnership with parents and management.

2.2 In managing their budgets all schools should be striving to utilise available funding in the most efficient and effective manner for the school. Key to this is seeking to obtain value for money for all purchases being made.

2.3 The principles of Value for Money have received a significant level of exposure to the general public. This higher profile has resulted in a far greater level of awareness, understanding and expectation by parents and in many cases the children of the school. The school has a duty to be open in ensuring that all stakeholders are aware of how it intends to ensure value for money is being obtained.

- 2.4 The development and introduction of a Value for Money Strategy will give the school the opportunity to be at the forefront, leading in an area other schools will have to become involved in over the next few years.

3. The Benefits of a Value for Money Strategy

- 3.1 The introduction of a Value for Money Strategy will provide a number of key benefits to the school.
- The Strategy will formally establish, and help to highlight, the governors' commitment to creating a value for money culture throughout the school.
 - The Strategy will raise awareness of the benefits the school can obtain from working towards a value for money culture.
 - The Strategy will help to clarify governor and staff responsibilities in relation to value for money.
 - The Strategy will provide a framework within which the school can work towards creating a value for money culture.

4. Approach to Value for Money

- 4.1 The aim of the Value for Money Strategy is to help the school achieve continuous improvement in the way it carries out its purchasing function. The approach used to ensure such improvements are achieved is to carry out a regular programme of review by applying the four key principles of best value –

Challenge - why, how and by whom the service is provided

Compare - performance against others

Consult - with key stakeholders

Compete - the use of competitive measures, wherever practicable, to secure efficient and effective provision

- 4.2 By applying these principles to all aspects of the purchasing procedures, the school can ensure that it is working positively towards establishing a process

- 6.6.4 The introduction of a Value for Money Strategy, and the implementation of a monitoring process, will provide the school with the opportunity to consider the introduction of performance indicators, which will assist with the assessment of continual improvement – a key element in Value for Money

7. Key implementation and monitoring targets

This section outlines the key milestones and target dates for implementing the strategy.

Governors approval

Strategy issued to key officers

Strategy made available to all staff

Monitoring process put in place

Review of process

Annual report to governors

8. Taking the Strategy forward

- 8.1 This Strategy is about improving the use of resources throughout the school, about getting the best value from the money expended and about ensuring that the school gets the best quality supplies and services within the financial resources available.
- 8.2 If the Strategy is to be successfully going forward there needs to be total commitment to value for money throughout the school. To achieve this, the Governors, Head Teacher and Senior Management Team must be seen to fully support the strategy.
- 8.3 A demonstration of commitment from the top will set the style and tone which will cascade down throughout the school. This top-down approach will then influence the day to day operations ensuring value for money considerations become an integral part of the purchasing processes.
- 8.4 All staff, particularly budget holders, would need to agree and comply with the importance of the Value for Money Assessment Questionnaire. Staff need to understand that it is about improving the use of financial resources throughout the school while achieving value for money. A review of overall

purchasing could also provide the potential for negotiating purchasing discounts.

- 8.5 The monitoring process will complement the implementation of Consistent Financial Reporting which will be introduced in the near future, making benchmarking with schools throughout the country easier to achieve.