

# Closing the Financial Gap Guide



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The Department for Education's Review of Efficiency in Schools (2013) highlighted the importance of having access to a good school business management professional to help drive efficiency, and how this is a factor synonymous with efficiency in the most effective schools.

Strong school business management ensures:

- Prudent financial management, the identification of saving and effective procurement.
- Operational efficiency
- Income generation
- A reduction in administrative burdens placed on teaching staff.

With increased school autonomy and direct accountability, the knowledge, skills and experience required to run effective schools and academies put school business management professionals front and centre.

SBM practitioners must increasingly master technical knowledge across a number of complex disciplines and at the same time play an integral role in the strategic leadership of their institution.

Collaboration between schools and academies is increasingly becoming an expectation. With these collaborative structures offering new and interesting career paths for SBM professionals.

This aspiration for practitioners should not be limited to the single site setting and could extend to executive board positions. Indeed, there are already examples of SBM professionals operating successfully as Chief Operating Officers across a trust or federation.

In 2014, the School Business Manager Primary Cluster Grant was made available to schools. The grants were open to bids from groups of primary schools to assist in the appointment and deployment of a shared school business manager. The DfE has, to date, awarded 68 grant to successful clusters.

The case studies presented in this guide are derived from this DfE-sponsored SBM Primary Cluster Grant initiative and demonstrate the value and impact of this sector-led programme.

They provide evidence of schools working to close the funding gap, and present practical examples for school leaders to evaluate their own practice as they consider how to tackle funding challenges within their own school/trust.

I hope this guide, which we have developed in conjunction with approved partners, will give you insight into how other schools are addressing the gap between grant funding and growing cost pressures.

A stylized, handwritten signature in black ink, appearing to read 'Stephen Morales'.

**Stephen Morales**

NASBM Chief Executive

One of the key benefits of collaborative working is of course the opportunity to become a single, bigger purchaser of goods and services. The bigger you get, the more important you are to suppliers. Many multi academy trusts have created efficiencies by consolidating, replacing multiple suppliers with one, on more favourable terms including pricing.

At an early stage, it is important to review and assess existing suppliers to determine how efficiencies can be best achieved. In addition, it is important to check that the SBM (leading the collaborative purchasing or the cluster SBM) is indeed in a position to do this and that existing contracts do not tie the academies to a specific supplier for a fixed duration. Provided there are no such ties, the fact that existing suppliers know they are in competition for a single, larger, contract can often lead to more favourable deals being offered. (Note also the issues relating to procurement, discussed below).

Once new contracts are entered into the task is not over though - the suppliers' performance has to be monitored to ensure that the SBM does in fact get what it expects to. It is not always enough to have a good contract - if the supplier does not perform as required the SBM should address it at an early stage. The SBM should make sure it knows what remedies it has under the contract and should make sure the suppliers knows it is willing to exercise its remedies if necessary. But this process cannot be undertaken unless the SBM keeps a close eye on performance in the first instance, and does not simply assume that the supplier will always deliver as hoped.

As clusters are predominately groups working collaboratively as opposed to legal entities, there will either need to be a contract (presumably on the same terms) for each participating academy, or there will be one single contract with each school being a contracting party. Although the latter is simpler it means that all are jointly liable under that contract, and there can be disagreements as to when/how to exercise remedies - which means a partnering agreement of some sort is also needed to regulate this type of collaboration. Either way each academy ought to take legal advice on how the contract affects it individually.

The Acorn Alliance is based in Norfolk, comprising six schools within the group. The schools have a history of collaboration and share many similar characteristics relating to size, rural location and being central elements of their communities. The Headteachers in each of the schools believed that by working together they could achieve significantly more for their schools than they could by working alone. As members of a shared Trust, the schools continued to be part of the Local Authority family of maintained schools, but the change of category allowed them to be supported additionally by a charitable trust.

Some of the main elements of the Cluster Business Manager's (CBM) role were contractual re-negotiation and management, in addition to setting up the systems and processes required when the Alliance becomes a Trust. Firstly, the CBM audited all contracts across the cluster, including leasing contracts, grounds and premises maintenance, catering, photocopying, energy contracts and all others. This meant the cluster implemented an effective contract management system. Having then reviewed the premises maintenance contract, the CBM identified that a repeat-business model was in place and had been for some time. It was generally agreed that the contract was not necessarily working in terms of price and in some instances levels of service delivery, and as a result the CBM worked with Headteachers to lead on the identification of a new provider, undertaking benchmarking activities between the current and potential offer.

Overall, the premises maintenance contract meant a potential saving of around £5,000 per school, with some small variations according to the school size, meaning £25-30,000 would be saved across the 6 schools. To provide a measured approach to implementation, the CBM and Headteachers decided to test the new contract within 1 of the 6 schools, prior to potential roll-out to the other schools. So far, the new contract has proved very compelling, not only in terms of price but also quality of service. It is anticipated that all 6 schools will be on board with the new contract over the coming year, and where the existing contract tied the schools in for 5 years, the current offer operates on a more flexible 2-3 year rolling contract basis.

How academies spend money on goods, works and services is essential to obtain value for money through procurement activity. There are clear requirements set out in the Academies Financial Handbook (which has very recently been updated), guidance from the DfE and Education Funding Agency, and the European public procurement rules.

More and more schools, multi academy trusts, clusters and groups are working together to generate efficiencies in procurement for everything from information technology through to catering contracts. Buying more of a product or service should result in lower costs per item, generating efficiencies in contracting. Putting your spend through an existing framework agreement is generally lower cost and quicker than running your own procurement process.

There are a wide range of models in the market ranging from informal, one-off collaborations through to the creation of new procurement companies to undertake all of the purchasing for schools in a hub or region. It is not a one size fits all approach and each collaboration will have different outcomes, aims and objectives. When making changes to existing contracts (including “piggy back” arrangements where one school simply uses another school’s contract) this needs a case by case assessment to ensure compliance with the law.

Practical issues to agree at the start include who is leading the procurement activity, who is responsible for setting evaluation criteria and drafting contract documents, and where costs of procurement will be shared.

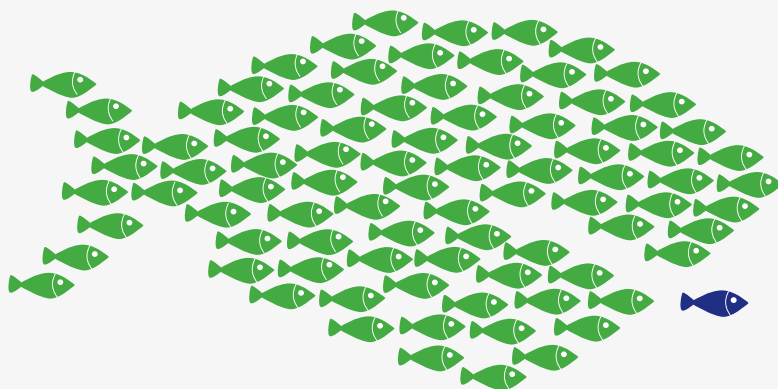
Schools looking to collaborate should identify common trends in purchasing and the business case for collaboration. A sensible approach is to choose one area as a sample for collaboration before making a commitment to undertake all of another schools purchasing.

# All Hallows Case Study

The All Hallows Catholic College cluster incorporates 8 schools, with 7 primaries (originally 4) and 1 secondary (high school). The schools are based in Macclesfield, Cheshire. Within each of the partner primary schools, there is a School Business Manager (SBM), and a cluster CBM (CBM) who coordinates with the business managers within the 7 schools (on a part-time basis).

The CBM has been involved in the negotiation on photocopying contracts across the partnership. Most of the schools had photocopier contracts which required renewal and the schools were dissatisfied with the service and quality of their existing machines. A contract was initially negotiated for the whole cluster with a supplier, where savings of £17,628 could be made and a better system of management i.e. 'Follow Me Printing' could be established. As each school's contract date with their existing supplier terminated, the new machines were installed. However, when it came to putting in the new machines in the High School, it was found that the company were not able to supply the machines necessary and so the High School had to take out a contract with another company which were able to meet their needs. The High School is more specialised in its printing, whereby it has an established 'Print Company' which is used to provide a business income for the school. In three years' time, when the contract is due for renewal, the CBM plans to have one supplier across all schools, with the potential to create further savings.

The CBM has also negotiated HR for the partnership. The High School had outsourced its HR function for some years and its contract was due for renewal. With the inclusion the 3 new primary schools in the MAT, renegotiation included these schools as well. The increased number of purchasers enabled increased economies of scale and a saving of £9,000 across the 4 original schools will be made once all the contract renewal dates begin. This will be extended to the rest of the primary schools when they eventually join the MAT and they will be able to enjoy the contractual savings.



# Pooling Staff and Impact of CPD

As the number of clusters increases across the country, pooling of staff between schools is becoming a more common theme. The advantages of sharing know-how and best practice between schools is clear: educationally, schools have the opportunity to promote knowledge sharing, consistency and subject co-ordination across a group; financially, savings stand to be made on the time and cost of attending external courses and training events.

In order to effectively pool staff within a group of schools, care must be taken to ensure that the arrangement is clearly structured, agreed and documented from the outset, both from a legal and practical perspective.

From a legal perspective, thought should be given to who will be the employer and the nature of the contract under which the individual will be engaged. Some clusters may favour joint employment contracts (depending on the size of the cluster this may be impractical) whilst others may prefer a single employer which seconds staff across the cluster under a contract for services. If the latter is the preferred option, this may have VAT consequences and advice should be sought prior to entering into such an arrangement.

Trickle down training will always be a preferred option, promoting time, resource and financial gains.

Its success however will of course depend on the calibre and effectiveness of disseminated knowledge.

Where staff are to provide such training, steps should be taken to ensure the quality, consistency and effectiveness of that information to avoid complaints and possible grievances as a consequence. Without doing so, complaints and grievances are likely to be in respect of lack of equality of opportunity and failing to provide the required standard of CPD training to enable someone to progress. Reporting lines and management responsibilities should also be clearly defined from the outset.

In order to reduce the associated risks that such arrangements can cause, these issues should be considered, recorded and communicated from the outset and monitored on a regular basis.



Glaisdale Primary School is the lead school in a cluster which originally contained 8 rural-based primary schools. Over the last few years, the cluster has grown significantly, and is now known as the Esk Valley Teaching Schools Alliance with a membership of 24 schools, cross phase including primary, secondary, post 16, special schools and also a mix of community and faith schools. The Teaching School Alliance covers a wide geographical area with members from as north as Redcar in Teesside, into Whitby town, and south to Malton and the outskirts of York, resulting in a real mix of rural, coastal and small-town schools.

Whilst the cluster schools have not traditionally shared staff, there was always a history of sharing events for the pupils and joint CPD. The CBM has made significant developments, setting up the mechanisms in a variety of areas, and this case study focusses on her role in relation to the set-up and sharing of subject leader staff, and bringing in research project funding, thus supporting innovation. Due to the nature and size of the original 8 cluster schools, it became apparent that the subject leader role could be one area in which effective collaboration could bring about efficiency savings in terms of joint practice. Part of the CBMs role has been setting up the processes, collating high-level information and overseeing action plans to ensure the subject leader project remained on track.

The project means those designated to the subject leader role pair up to keep abreast of subject knowledge, and provide the updates of subject knowledge during specified subject knowledge meetings to all the other teaching staff in the cluster. This has significantly saved money by reducing the number of teachers attending all subject knowledge courses, as well as a reduction in travel costs, and supply teacher costs which would be required to cover classes whilst teachers are out on training. In addition, it has reduced the amount of time that teachers need to be out of the classroom, and has provided CPD opportunities to both the subject leaders and all of the other teachers, alongside the fact that the CBM has saved Headteacher time, and in turn high-level teaching and learning and financial resource, by coordinating the project.

Support arrangements between schools within a MAT can vary significantly. It might be that one of the schools is particularly well resourced with experienced staff which is able to support other schools within the MAT. In these cases it is usual for there to be a cross charge for this support in order that the relevant school is compensated for the staff time involved in supporting the other school. This can work perfectly depending on the complexity of the cross school support across the MAT.

A further step and which is increasingly common, at least in the larger MATs is the concept of centralised services. This involves each of the schools in the MAT which each contribute a proportion of their budget to a central pot. This is sometimes referred to as a 'top slice' the amount of which will vary from MAT to MAT but will depend on the level of central services, the number of schools in the MAT and ultimately the efficiencies that the MAT can secure. It is possible for schools within the MAT to pay a different level depending on the level of support they require, which can vary particularly around school improvement support.

MATs can also work to establish centres of excellence to ensure that the individuals and teams across the schools and trusts with the most relevant experience are running contracts. This can save considerable cost (and risk) to schools with a leaner administrative support function who may be worried about contract management.

When MATs are procuring, it is particularly important to consider the EU procurement rules (on the basis that a higher number of schools typically leads to a higher contract value). Contracts worth more than approximately £170,000 excluding VAT will generally need to be advertised at an EU level, and the rules require that the different schools aggregate their total spend when assessing the value of the contract. This can be a tricky area for schools to navigate.

The MAT took the decision to centralise the Finance services across the 6 schools. This was in order to remove the time consuming processing of invoices and payments from school offices, to develop consistency in Ledger and Cost Centre allocation and to identify opportunities for bulk purchasing and shared services across the Trust. This also presented an opportunity to create a Central 'Head Office' budget for shared services and personnel following a number of years spent charging one particular school for shared goods and services and then having to cross-charge in order to share the costs. The CBMs role has been to define the exact requirements of the MAT and research financial software providers who could provide the required systems to the MAT - carrying out full analysis of cost, product specifications and procedural efficiencies.

On settling for a particular system, the financial savings have been substantial. Where individual schools would pay £12-13,000 per year for the required system licences and service with the existing provider, the new solution is costing just £3,000 per year as a shared cost for all six schools. Based on these savings, and the reduced cost of adding further schools, the CBM and CEO have jointly estimated savings of £88,000 with expected growth to 10 schools (and £50,000 for the 6 schools currently operating under the MAT). It is anticipated that the new centralised systems will also support improved reporting and compliance and deliver time-saving efficiencies.

The work involved in researching, costing and then implementing the new financial system has led the CBM to consider the charges for accountancy contracts. With more sophisticated reporting and analysis available, accountancy and audit work is less manual and labour intensive and the CBM plans to negotiate lower cost accountancy services.

# Income generation and supporting research and innovation

School business Management professionals juggle many priorities, but cannot get away from the fact that their main priority at times is the finance of the school – after all, every decision that is made has a financial implication. The generation of additional income is increasingly becoming a necessity and is perceived by some sector leaders as being an essential tool with which to sustain excellence. When we consider income generation, the first thing that the vast majority of people consider is the endless hours of writing bids for specific funding. This endeavour can reap dividends and we can gain valuable funding towards a project, but how many bids are written that have not been fruitful? Would time be better spent thinking entrepreneurially and looking at how schools can use current facilities and resources, including the human ones, to generate much-needed income that is not ring-fenced, can be used to 'match funds' or enhance and enlarge the teams that work for you?

There is much revenue that can be gained by schools if resources are focused in the right direction. Most generate some income already but by looking around you and seeing what you have available, you can reap the best dividends.

Give opportunities for staff development and be mindful that you do not have the monopoly on good ideas; however, a good business plan will be the telling factor as to whether the idea will work or not. Remember, schools are businesses. It will be the entrepreneur in you that will prove just how much extra revenue you can generate to assist in enhancing dwindling budgets.

# Village Academy Case Study

The Village Academy is a MAT of 6 primary schools based in Kent. The MAT has plans to expand to incorporate 4 more schools meaning 10 schools will eventually sit under the Trust. The Cluster Business Manager has been responsible for a number of improvements across several areas of the MAT, and this case study highlights some of the larger projects which have relied on their input and expertise.

The CBM, alongside a variety of other financial systems projects, has overseen the research and development of 3 successful CIF bids with a combined worth of £364,000, in partnership with a local firm of Architectural Consultants who provide technical input into the CIF bid writing on a 'no win, no fee' basis. Their project management costs are built into the bid cost, and therefore do not represent an additional cost to the MAT. Examples of two of the CIF funding outputs have been a boiler replacement in one school, and the installation of a boiler and roof insulation and convector systems for heating for another. These improvements will lead to reduced energy costs in the long-term, and therefore further savings yet to be defined and realised in addition to the grant funding itself. The third CIF bid, which amounted to £154,000, has led to critical building repairs and improvements including roof repairs, removal of asbestos, and reduction of legionella risk, electrical works and supporting greater security around the school gates.

An additional area of work has meant the successful bid for sponsored capacity funding of £50,000 which is supporting a number of additional projects to increase efficiency. Part of the funding will support the centralisation of HR and Payroll administration, with the appointment of a central HR and Payroll officer who will adopt a single best practice approach to ensure consistency across all 6 schools. The CBM is now looking to provide a web-based solution for health and safety, which will track, manage, and report health and safety checks and issues within one centralised system. A number of different IT solutions are being considered for this, with an allocated £8,000 of the £50,000 provided in the Sponsor Capacity Funding grant.

At a time when the annual cost of maintaining a school can often exceed its budget, schools are having to consider ways in which to manage the workforce in order to reduce overheads. As a school's biggest regular outgoing, staffing costs and how staff can be used in smarter ways will always be areas for review. However, it is important to ensure that the contractual relationships permit the proposed changes and/or developments.

The Probus case study strikes a cautionary note regarding the treatment of part time staff. Part time workers have the right not to be treated less favourably than a full time worker doing the same or similar work. Any mistreatment of part time staff may therefore have ramifications in terms of potential claims for less favourable treatment but also in terms of potential claims of sex or disability discrimination if, for example, those part time employees are female or disabled.

Case law (which remains unchallenged) has determined that a condition imposed by a pre-school, that teachers employed in the position of form tutor must work on a full time basis, could be objectively justified due to the need for continuity. This is a useful case to keep in mind when considering whether staff can be required to be full time and may absolve some of the risks arising from similar circumstances it does not however negate the need for robust legal advice on a case by case basis.

The Probus Cluster contains 5 schools, all located within rural Cornwall. The Cluster Business Manager (CBM) started in post in September 2014, following an internal promotion.

The Cluster Business Manager has been responsible for a number of improvements across several areas of the schools. One of the larger projects has involved re-structuring staffing within the cluster's pre-school.

Previously, the staff had all been employed on a part time basis. In order to rationalise this, and provide continuity for pupils and for parents, the school employed a full time Duty Manager and a Team leader. This also means that if a team member is on sick leave or training, either of those staff could fill in.

In addition, the pre-school had been employing the main school's SENCO on 0.1 FTE hours to provide SENCO support. Instead, the Team Leader has been up-skilled and the SENCO released back to the main school.

This has meant a tangible saving in itself of £3,275.

The overall re-structuring has significantly reduced over-time costs which were paid previously to part-time staff who were then needed for additional hours. The CBM has calculated that this has saved around £13,000 in total, £2,000 of which has already been re-invested into resources for the pre-school. As the pre-school received an 'Outstanding' status in May 2014, the cluster has been very keen to uphold this, and it is believed that this kind of move will aid that, both in terms of pupil learning, continuity of contact with parents and overall financial management.

# Centralising services

With the growth in collaborative working of schools and academies, be it Federations, MAT's or simply closer relationships, the desire for centralising services has increased.

The majority of services provided to schools may have previously been procured via the Local Authority (LA). The reduction of what LA's are able to offer has seen schools move away private providers. Some schools and academies have seen this as an opportunity to centralise these services in a bid to save money, increase revenue (if the services are sold) and to improve quality of the services by making it fit for the school's purpose. Some of these services can be provided by upskilling current members of staff, others will require the recruitment of new, more qualified practitioners. Either way savings and improvements can be gained.

If the services are going to be sold then an additional requirement will be that of a trading arm and possible VAT registration, depending on the VATable income. Further consideration will need to be made regarding the continuity of service, for instance, if you are centralising payroll and only one person is responsible for carrying out the function what if this person has a spate of absence, is there anyone who can carry out this vital function? Schools therefore may consider the necessity to create business processes and shadowing of roles.



This is a very recent (Sept 2015) example of how five schools discovered improved efficiency after being forced to reconsider the way in which they protected their budgets against the cost of staff absence.

Five schools formed a MAT. One of the consequences was that the local authority would no longer permit participation in the 'mutual' scheme operated to share the cost of staff absence – both sickness and maternity leave. The options left were to buy commercial insurance (Staff Absence Insurance, SAI) or to self-manage. Self-managing was felt to be too risky: The academies felt they could probably manage the majority of likely absence events, but were uncomfortable with the more unforeseeable and uncontrollable risks, such as accidents. A decision was taken to procure SAI.

Quotes had to be sought from three separate insurance companies. A specialist broker was recommended and they stepped in to assist. An array of quotes from each insurer were compared and contrasted under the guidance of the broker, with special care being taken to ensure that the detail in the policy wordings provided the cover that each academy wanted.

Importantly, each academy's premium was 'underwritten', calculated by looking at each school's risk rather than being flat-rated through a head count of staff.

The broker was able to demonstrate a saving of 8.4% (£55k SAI premiums versus £65k to the local authority) without having to sacrifice any of the important cover which had been previously afforded under the 'mutual' scheme.

This was partly achieved through a collective decision to have a single insurance policy covering the individual needs of each academy, instead of five individual policies (and thus five policy charges).

Moreover, absence management services were included, to help reduce absence (e.g. stress counselling & health checks) and to help staff to return to work (e.g. fast-track medical procedures).

The CBM has been responsible for a number of improvements across several areas of the MAT, and this case study highlights their work on the centralisation of the Finance function.

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The National Association of School Business Management is the UK's leading association working exclusively on behalf of school leaders and influencers. The Association offers the profession an influential voice in national educational policy and continually strives to raise the profile of school business management. The association have now launched Professional Standards for the sector.



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