STRATEGIC CASE STUDY

Strategic stage

NOTES TO CANDIDATES

i) Answers to be prepared as on 7 March 2023 by Fran Cosama, who works as a Finance Officer in the Education department of Bragua City Council.

ii) All calculations and diagrams provided in source materials should be assumed to be arithmetically correct.

QUESTIONS

1	Prepare a briefing paper for the Head of Finance (Education) on the financial position of Colodor Lower School to assist with a presentation to the School Governing Board.	50%
2	Produce a report for the School Governing Board of Colodor Lower School on its governance arrangements and aspects of its strategy.	50%

Requirements for Q1

Requirements for Q1

In response to the whistleblower call received by the Education department of Bragua City Council (BCC), the Head of Finance (Education) of BCC requires a briefing paper ahead of a presentation to be made to the School Governing Board of Colodor Lower School (CLS) at its budget meeting on 13 March 2023. As per the email from the Head of Finance (Education) of 6 March 2023, your paper should include the following content:

		Marks
(i)	Critically evaluate budgeting and budgetary control practices at CLS, including an assessment of the robustness of the draft 2023/24 budget.	18
(ii)	Provide an initial appraisal of the three proposals put forward by the School Operations Manager for improving the school's financial situation in her email of 3 March 2023.	20
(iii)	Determine the charge that would need to be made to families for the after-school clubs to break even at current activity levels, evaluating the result and potential alternative pricing options.	12
		50

Email from Head of Finance (Education)

EMAIL

From: Uri Venala, Head of Finance (Education)
To: Fran Cosama, Finance Officer (Education)
Date: 6 March 2023
Subject: Financial review work at CLS

Fran

We received a call on 1 March from a whistleblower at CLS stating that school leaders are not taking seriously what was termed 'a dire financial situation' at CLS. They said that potential cost reduction and income generating ideas had been put to the Head, but the Head apparently said it was not the right time for such decisions as it would destabilise the school when all efforts should be on ensuring a successful PEI inspection in September. Apparently the draft 2023/24 budget does not include any of these ideas.

I will forward two emails from the School Operations Manager.

Based on a review of CLS's budget and outturn for 2021/22 and 2022/23 and other information available to you, please assess the apparent soundness of its budgeting and budgetary control practices. You should also evaluate the draft 2023/24 budget, in particular discussing key areas of potential risk. Please note that the Council is using an average inflation assumption of 8% for its 2023/24 non-staff cost expenditure budgets.

For all of this budget analysis, I do not want a detailed line by line review of the budget items, with lots of calculations. Instead, I need a more strategic approach so that we can identify potential underlying financial management issues and budget risks for the board.

For the three proposals for improving CLS's financial situation mentioned in the School Operations Manager's email of 3 March, there is insufficient information available to fully evaluate them. Therefore, for this paper, I only need an initial appraisal of them.

In today's email on the after-school clubs, the School Operations Manager has provided enough detail to allow you to undertake a more detailed evaluation of the way forward.

As you are new here, please note that the unions representing all school staff are angry and are threatening industrial action following the recent pay rise offer as they see it as a pay cut in real terms and inflation is expected to rise further. This also means that any changes to staffing levels and terms and conditions must be handled very carefully, in line with best practice. Any proposed redundancies will need a very sound business case and it will take at least four months for the work to create the case and complete the staff consultation.

At various points of your analysis, I expect you will encounter some potential ethical dilemmas. Please be explicit about these in your paper.

Uri

Email from School Operations Manager

EMAIL FORWARDED TO: Fran Cosama, Finance Officer (Education) 6 March 2023

From: Ali Chima, School Operations Manager
To: Uri Venala, Head of Finance (Education)
Date: 3 March 2023
Subject: CLS finances

Dear Uri,

As discussed, I attach our expected 2022/23 outturn and draft 2023/24 budget. The Head produced the latter and I have concerns about many assumptions. Some extra points to note, which may be relevant to the analysis and help inform the 2023/24 budget:

- Staff absence is much lower this year, a year end average of 8 days is likely
- The grant amounts in the 2023/24 budget are as accurate as they can be
- The Disadvantaged Pupils Grant is mostly used to support our overall staffing complement, with very little spent on targeted support for the children concerned
- The staff cost lines build in any pay progression amounts to which they are entitled based on their annual performance reviews and contractual terms and the 6% annual pay rise offered recently by the government.

Also, below are three proposals I made to the Head to consider for the 2023/24 budget.

First, a lot of resource is used to support children who staff believe have EENs, but where there has not been a diagnosis by BCC and so we receive no extra income. This work has been growing and I do not think it is sustainable. It is a key factor in why our staffing levels are comparatively high. Our pupil/teaching staff ratio is low - the average for our benchmark group is 25 pupils to one teacher. Also, our pupil/Learning Support Assistant ratio is low - the average for our benchmark group is 21.5 pupils to one Learning Support Assistant. Any redundancy payments would be based on length of service. While teachers are entitled to three months' notice, Learning Support Assistants get one month's notice. So, I think we should look at reducing our complement of teachers and/or Learning Support Assistants.

Second, I am not sure we get good value for money from BCC's SLAs. We could do some of these functions in-house, find cheaper contractors for others, and stop the rest.

Third, I think we are missing an opportunity to earn income from hiring out our facilities. We have rooms that could be hired out to local groups, for example as meeting spaces, especially out of school term time. And, our excellent external outdoor green spaces and all-weather pitch are very underused especially since we cut the amount of physical education time.

I will email you separately about my ideas on the after-school clubs.

Regards,

Ali

2022/23 projected outturn and draft 2023/24 budget

	2022/23 Outturn £	2023/24 Budget £
INCOME		
Government operating grant	1 664 972	1 795 000
Disadvantaged Pupils Grant	171 207	188 500
EEN grant	124 339	152 000
Covid recovery grant	47 600	36 000
Donations	17 500	30 600
Charges to families (trips, school clubs)	117 105	117 800
Premises hire charges	250	1 400
TOTAL INCOME	2 142 973	2 321 300
EXPENDITURE		
School leadership staff	188 595	199 900
Teaching staff	796 433	852 100
Learning Support Assistants	481 420	514 000
Administrative staff	140 103	149 600
Lunchtime assistants	57 339	60 800
Temporary external staff (teachers and Learning Support Assistants)	49 286	20 000
Staff training and development	4 900	16 700
Staff recruitment	0	3 000
Energy	61 227	66 100
Water	9 271	9 900
Building maintenance	17 104	18 500
Grounds maintenance	4 220	4 600
ICT	49 775	50 500
Learning resources and equipment	79 928	86 300
School trip expenses	23 018	24 900
After-school club expenses	91 080	98 300
Office supplies	18 960	20 500
Insurance	11 810	12 800
Cleaning	33 148	34 700
Catering	67 370	71 700
BCC SLA charges	35 375	36 600
Governor expenses	4 992	5 400
TOTAL EXPENDITURE	2 225 354	2 356 900
RESERVES BROUGHT FORWARD	160 646	78 265
SURPLUS/(DEFICIT) IN YEAR	(82 381)	(35 600)
RESERVES CARRIED FORWARD	78 265	42 665

After-school clubs

EMAIL FORWARDED TO: Fran Cosama, Finance Officer (Education) 6 March 2023

From: Ali Chima, School Operations Manager
To: Uri Venala, Head of Finance (Education)
Date: 6 March 2023
Subject: After-school clubs at CLS

Dear Uri

I think we need to rethink our practice on after-school clubs, as I don't think we can afford to continue subsidising them. I have based my analysis below on 2022/23 figures.

The clubs, run by a company called Veneru Ltd, provide activities for up to 100 children per club, which must be pre-booked by families. We charge a standard fee of £7 per child per club. Usage varies a lot between clubs, but in 2022/23 we will have had 16 000 club enrolments for the 200 days the clubs are run, providing income of £112 000.

Around half of the demand is for children of disadvantaged families, but many other disadvantaged families do not use the clubs much or at all.

Veneru make a fixed annual charge to CLS, currently £75 000. The activities in the clubs vary; they can involve various crafts, playing musical instruments, singing, reading, indoor games, outdoor sports etc. Therefore, the resources used in the clubs vary, but I have calculated the average variable cost per club to be £1 per child.

I have also calculated that an appropriate amount to apportion to the clubs for CLS's fixed overheads would be £50 000 per year. This covers a share of administrative staff time, and of premises costs – energy, water, cleaning, maintenance. It also includes a share of the cost of Learning Support Assistants as they provide support at each club. This is part of the job description of all Learning Support Assistants, and their involvement is rotated between them across the school year.

I think we should aim to charge full cost for these clubs or cease offering them.

I hope the above is helpful.

Regards

Ali

Requirements for Q2

Requirements for Q2

You are to prepare a report for the School Governing Board of Colodor Lower School (CLS), which should include the following content:

		Marks
(i)	Critically assess the governance arrangements at CLS.	14
(ii)	Evaluate the current approach to performance measurement at CLS, and provide advice on a balanced approach to performance measurement at the school.	12
(iii)	Demonstrate how Porter's value chain analysis model can be applied to CLS in order to provide input into an analysis of its strategic position.	12
(iv)	Assess how CLS could use the marketing mix model as part of its future strategy.	12
		50

Email from Chair of School Governing Board

EMAIL

From: Bel Colas, Chair of School Governing Board, CLS
To: Fran Cosama, Finance Officer (Education)
Date: 6 March 2023
Subject: Report for CLS Board

Dear Fran

I have recently taken over as CLS School Governing Board Chair. The board identified last November that we need help with our strategy and marketing, but no-one followed up on it. I had a call with your manager recently and he confirmed that you would be well placed to do this, as well as review our governance and performance management arrangements, due to the knowledge you gained in your recent accountancy studies.

For this work, I know you would find it helpful to have access to the minutes of the most recent board meeting. Unfortunately, the Secretary has not yet produced them. However, if it helps, I attach my notes from the meeting.

I recently completed a business studies diploma and think that some of the models covered in it could be useful for CLS, as I think we need to give some serious thought to our strategy due to the reducing numbers of children in the school - reversing this trend would improve our income and ease our financial difficulties. The two analytical models I would like you to prioritise and try to apply to CLS are value chain analysis and the marketing mix. There is some overlap between these models, in particular in relation to marketing. So I suggest that you avoid covering marketing issues when looking at value chain analysis, and leave all discussion of marketing issues solely to the section in your report on the marketing mix.

I look forward to seeing your report in due course.

Regards,

Bel

School Governing Board February 2023 Chair's meeting notes

Notes of School Governing Board meeting on 9 February 2023

Others present: Erik Bolay (EB), Sal Parca (SP), Dina Elbia (DE), Cal Argor (CA)

- Absent: Liz Urla (teaching to cover absent teacher), Hans Peco (work pressures). Apologies accepted.
- My appointment confirmed. Agreed I would be Chair till end of school year.
- SP and CA – had been sent lots of reading material but they had not been booked on any governor training since joining the Board. (Must organise my training too)
- CA very critical of poor behaviour by a group of children in Year 1 class and that teacher often could not control the class
- SP very critical of the quality of the temporary Year 6 teacher. The online meeting with her was very unhelpful due to technology issues and the teacher's rudeness
- EB stated he had replied to the parents that had made adverse comments in the 2022 family survey and no further action was needed. Governors agreed.
- EB tabled policies for staff performance management, behaviour and health and safety. All approved without any governor questions.
- Governors noted the summary information provided by EB on staff performance in 2021/22 as finalised in the performance reviews completed last term. I queried whether the issues identified by the PEI and the consultants around staff training and development plans had been sorted out. EB replied this is work in progress and promised to provide a detailed update for the next board meeting.
- After I queried the position with EBs annual performance appraisal, EB explained that Hans Peco had done it in December and that the objectives for 2021/22 were all around delivery of the School Enhancement Plan.
- EB gave an oral report on progress against the School Enhancement Plan. Lengthy discussion followed about progress being made with each year group, the challenges presented by increasing numbers of children with EENs and children without English as their first language, and hopes for better Year 3 and 6 results.
- EB gave assurances that actions following the July 2022 internal audit report were in hand and promised to send me a copy of the report and that the School Operations Manager would ensure that the recommendations made were addressed.
- CA had heard that the open days for prospective families, stopped during the pandemic, had not been reintroduced this year. EB stated that these are very time-consuming, not done by all schools and he did not think them to be a priority.