



Accounting  
For Schools

# BOARD OF TRUSTEES FINANCE HANDBOOK

Making a Difference to Your School



CHARTERED ACCOUNTANTS  
AUSTRALIA + NEW ZEALAND



PLATINUM  
PARTNER

AWARD  
FINALIST  
2022

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## 1

# INTRODUCTION



Firstly, congratulations on becoming a member of your school board and thank you for helping shape the future of your child's educational future.

While there are numerous aspects of running a School, the finance aspects can be some of the most daunting. We at Accounting For Schools have therefore developed this Board of Trustees Finance Handbook to provide insight around educational specific terms, to translate the jargon and highlight the finance areas Board members should be focused on.

The team at Accounting For Schools is here to support you throughout your time on the Board, by providing quality insight as part of the management reports and on an ad-hoc basis as required. We also offer a range of resources, training and development, and other opportunities to help with understanding and knowledge building.

**As a Board, you will likely be focused on the following areas:**

- the development and ongoing review of the school strategic plan
- monitoring and reviewing your school's financial progress
- putting in place a policy framework and ensuring the school's legal compliance
- employing staff in the school
- managing assets and building projects
- implementing the National Education Guidelines



# GOVERNANCE VS MANAGEMENT

## What Is the Role of a School Board?

Understanding the relationship between governance and management is fundamental to making sense of your role as a Board member. Successful schools are characterised by the fact that both the Board and Principal have a clear understanding of their different roles and responsibilities.

So what are the differences between the two roles and what does this mean for you?

### GOVERNANCE: THE BOARD

- sets the strategic direction of the school or kura through its strategic plan and policies in order to ensure that plans and targets are developed, monitored, and reviewed.
- is focused on the improvement of student progress and achievement; prioritising resourcing to meet the needs of the students.
- is responsible for the financial oversight of the school, but delegates responsibility for the day-to-day running to the principal.

### MANAGEMENT: THE PRINCIPAL

- the Principal is a member of the Board and essentially acts as the Board's educational leader and chief adviser. The Board and Principal should work in partnership to create a successful leadership team.
- the Principal is responsible for the day-to-day running of the school including employing staff, preparing and managing the annual budget, and developing the curricular programmes.

## Effective Financial Policies

### Key Points



Policies and procedures are an essential component of any organisation and are important as they outline expectations, delegate responsibility, provide assurance, and impose limits and rules. They help ensure a structured, consistent approach to decision-making.

It is therefore important for the Board to have effective policies in place in order to manage a range of common financial situations. Familiarising yourself with board policies will give you a clear understanding of the expectations placed on Board members and the outcomes that have been set for your school. These policies should be revisited on a formal review cycle at board meetings.

#### Here are 5 key considerations for effective financial policies:

- assignment of authority for necessary and regular financial actions and decisions
- policy statement on conflicts of interest or related party transactions
- clear authority to spend funds, including approval, authorising payments and payroll
- clear assignment of authority to enter into contracts
- clear responsibility for maintaining accurate financial records with correct procedures in place

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# FINANCE POLICIES

Including delegated authority (continued)

## Delegated Authority

Delegating authority to school employees is one of the key ways in which board's fulfill their responsibilities to govern schools. By setting appropriate delegations, the Management team can then get on with running the day to day aspects of the school.

### The Board usually delegates authority to the Principal for:

- expenditure up to budgeted levels
- cash management including deposits
- appointment of relieving permanent and casual staff

For example, the Board could delegate responsibility for implementing and monitoring the school credit card policy to the Principal. This might include procedures for the provision and use of the card, e.g. a limit that cannot be exceeded and/or staff members who may or may not be authorised to use the credit card. NB: Any credit card in the name of the Principal must be reviewed regularly by a delegated member of the Board.

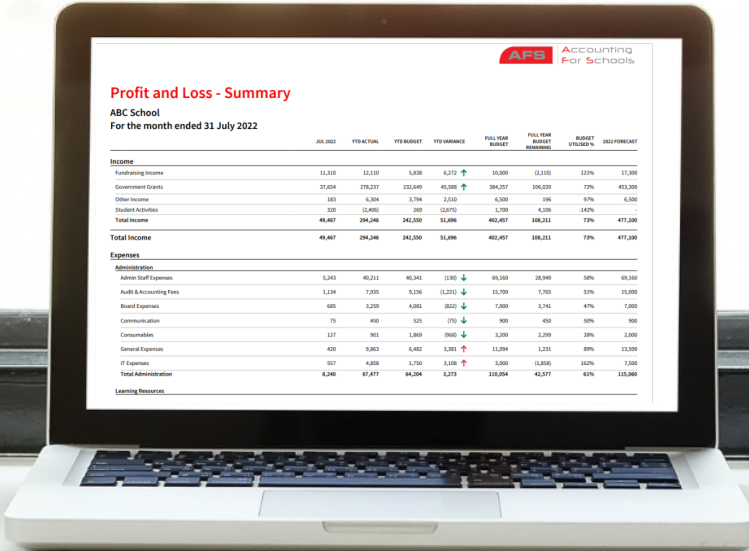
Delegations must be made by passing a resolution. They should be given to the delegate in writing, with terms of reference. Terms of reference set out any restrictions and conditions. It's a good idea for the Board to review any standing delegations at the start of each year and also following school board elections.



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## MONTHLY REPORTING

## Key Areas to Look For



**Profit and Loss - Summary**  
ABC School  
For the month ended 31 July 2022

	JUL 2022	YTD ACTUAL	YTD BUDGET	YTD VARIANCE	FULL YEAR BUDGET	FULL YEAR REPORT	BUDGET VARIANCE %	2022 FORECAST
<b>Income</b>								
Fundraising Income	11,208	12,100	5,000	6,277	10,000	12,100	121%	12,100
Government Grants	37,004	370,217	233,040	45,566	384,217	370,217	17%	453,200
Other Income	183	6,300	3,704	2,516	6,000	195	3%	6,500
Student Activities	300	(2,400)	200	(2,600)	1,700	6,300	-142%	-
<b>Total Income</b>	49,495	396,217	242,000	15,486	401,917	388,212	7%	477,500
<b>Total Income</b>	49,495	396,217	242,000	15,486	401,917	388,212	7%	477,500
<b>Expenses</b>								
Administration	5,243	40,211	40,341	(130)	69,500	28,949	58%	69,500
Admin Staff Expenses	1,134	7,303	9,156	(1,821)	15,700	7,763	50%	15,000
Audit & Accounting Fees	685	3,200	4,081	(821)	7,000	3,741	47%	7,000
Communication	75	450	525	(75)	900	450	50%	900
Consumables	127	901	1,800	(899)	3,200	2,299	72%	3,200
General Expenses	405	9,543	4,462	5,081	11,000	1,216	11%	11,000
IT Expenses	517	4,800	1,700	3,100	3,000	13,000	333%	7,500
<b>Total Administration</b>	8,240	67,417	64,264	3,153	110,600	42,577	41%	110,000
<b>Learning Resources</b>								

To enable the Board of Trustees to carry out their financial governance responsibilities, they need to receive regular updates about the school's financial position and performance.

The monthly reports will highlight any concerns around spending or if a particular area is ahead of target, resources can then be diverted to other areas that need attention. These reports should enable the Board to track the past and present performance of your school and allow informed financial decisions to be made.

### Key areas to look at in monthly reports are:

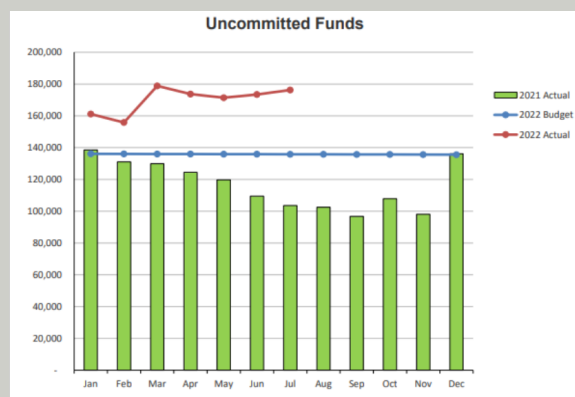
- current working capital and cash position
- uncommitted funds position
- key variances from budget
- forecast position to the end of the year and any action required to stay on track
- banking staffing and payroll review



## 6

# UNCOMMITTED FUNDS

## Your School Financial Buffer



The uncommitted fund's position of a school shows the resources available after all liabilities are covered. I.e.; what is leftover once all bills have been paid, including long-term commitments like cyclical maintenance. It is calculated as current assets, less total liabilities. It is important for schools to understand what the level of uncommitted funds are so that you can make informed decisions for the future.

Uncommitted funds are 'reserves' that can be made available for any new initiatives, large fixed asset purchases, or contributions to capital works projects. If the school has sufficient uncommitted funds available, then you can confidently invest in additional resources that will provide benefit to the students and school community.

It is important for your school to have uncommitted funds available to provide you with a financial buffer in case of a 'rainy day'. If your school suffers an unexpected loss of some sort (e.g. classroom fire) then it may need these funds to cover any immediate expenses before insurance proceeds or Ministry funding is made available. Or if your school has a temporary drop in staffing entitlement, then funds may be required to fund some or all of a classroom teacher for a period of time.

However, it is not ideal to have significant uncommitted funds for a period of time either (unless they are being saved for a specific purpose) as this means lower spending on resources for the school and students. The ideal level of uncommitted funds varies from school to school, but a ballpark figure could be around 7.5-10% of the operations grant; enough to allow the school to get by in an emergency or cover fixed asset purchases.



## 7 ANNUAL BUDGETS

### Budget Implications to Consider

One of the Board's primary responsibilities is to approve and monitor the annual budget, including the capital expenditure budget. The Board should consider how funding could be best spent in order to achieve the goals and objectives outlined in the strategic plan. It is the role of the Board finance committee or the principal to bring the annual budget to a board meeting for discussion and final approval.

One of the most significant components of the budget is likely to be the salary costs of the support staff (including office staff, caretakers, and teacher aides), and it may be helpful to calculate this cost as an % of the operational grant funding. On average, this should be around 55% - 65% of the funding received (including ORS and other staffing funding received). If it was higher than 65%, there might not be sufficient funding left to cover the school's other costs. Note, that if the Board is also paying some teaching staff costs from the operational funding, these costs will also need to be included in the calculation.

The key income item to consider is the Operational Grant. This is based on the student roll and a provisional notice will be sent to the school in September, which shows the expected roll and subsequent funding for the following year. If the school is unlikely to achieve the projected roll, then the funding within the budget should be reduced. As well as the regular operating costs of the school, it is important for the budget to include amounts for depreciation, cyclical maintenance, and finance lease interest costs. A balance sheet and cash flow budget should also be prepared and AFS can assist with this. The Board should aim to approve the budget before the end of the prior year.



## Maintaining & Modernising Learning Spaces

The 10-Year Property Plan is the main planning tool for your school property. Your school is required to develop a 10-year property plan with a qualified 10YPP consultant to ensure that your school is well maintained and the physical environment supports teaching and learning, within the budget provided by the Ministry. The 10YPP is renewed every five years and comprises two five-year agreements (5YA). Each 5YA includes the funding allocation that the school is entitled to. With each 5YA approval, furniture & equipment grant funding is also provided; 2/3 in year 1 & 1/3 in year 5.

### Your roles and responsibilities include:

- aligning the school's property plan with the school's vision
- working with a qualified 10YPP consultant to develop a 10YPP
- complying with the current ministry property policies and requirements
- overseeing the management of your school property
- engaging qualified project managers to manage school-led building projects
- ensuring sufficient funds are available to cover maintenance costs when they fall due
- reviewing the 10YPP plan annually to ensure the school is on track





## Effective Management of Staffing Levels

Schools are allocated teacher staffing based on the student roll and student needs. Teaching staff members are paid directly by the Ministry, through teacher salaries. If the school requires more staffing than their entitlement provides, i.e., if they want to provide smaller class sizes, this needs to be met from their Operations Grant. If the school knows that its roll will increase later in the year due to additional enrolments, it can 'overuse' its staffing in the interim and wait for this to balance out when the extra entitlement is received.

Every fortnightly pay period, the school receives a banking staffing report which shows how the school is tracking against the entitlement. This report needs to be carefully monitored throughout the year. Teaching staff, including relievers, can be moved between teacher salaries and bulk grant funding to ensure the banking staffing remains on track. At the end of the payroll year, the final balance of the banking staffing is calculated, and if the school has overused or underused staffing, this will be deducted/reimbursed as follows:

**Overuse** - deducted in the next July operational grant by the MOE (reimbursement rate \$83,500 ex GST).

**Underuse** - paid to the school in the July operational grant (recovery rate \$66,500 ex GST).

Note: underuse position can only be a maximum of 10% of annual staffing.

As part of the annual budget-setting process, the school should determine its required staffing for the year and compare this with the provisional entitlement provided by the Ministry. If there is likely to be a shortfall in the entitlement, the school can decide to pay for this additional staffing out of its operations grant and, therefore, include this cost in the budget.



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# 10 FIXED ASSET

## Replacement Program

A photograph of three young students sitting at a long desk in a computer lab. They are focused on their work, with their hands on keyboards and eyes on computer monitors. The student in the foreground is a girl with blonde hair in a ponytail, wearing a yellow shirt. The other two students are slightly out of focus in the background. The lighting is bright and even.

### Tracking and Maintaining Your Assets

Fixed assets are items that are expected to be used by the school for more than one year, e.g., computers, furniture, library books, etc, and have a cost that is higher than the asset threshold. The Board can set its own threshold level, but \$1,000 is generally considered to be reasonable for most schools.

When fixed assets are purchased they are recorded on the balance sheet rather than in the profit & loss statement. In each year that the school owns the asset, part of the cost is taken to the profit & loss as an expense, referred to as “depreciation”. Fixed assets are also recorded on a fixed asset register and it is important that this is reviewed each year to ensure any assets that are no longer being used by the school are taken off the register.

There are two main reasons to track fixed assets—to maximise the school’s technology budget and support tech-driven learning in the classroom. Asset tracking and maintenance allows schools to monitor the equipment, assess its condition, and maintain it in good operating condition.

As a Board member, you are responsible for managing the assets of the school and this includes planning for the replacement of fixed assets over time. This information plays an important part in shaping the financial decisions of the Board.

The Accounting For Schools team has developed a 10-year fixed asset replacement template that is available for schools to use at no cost.

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## 11 AUDIT PROCESS

A photograph of a man and a woman in an office setting. The man, on the left, has a beard and is wearing a blue shirt. The woman, on the right, has grey hair and is wearing a green sweater and glasses. They are both smiling and looking at a tablet held by the woman. The background is a blurred office environment.

### Unparalleled Guidance Through Every Stage of the Audit Process

Every school is required to prepare annual financial statements and submit these to the auditor by the statutory deadline of 31 March each year. Over the following two months, the auditors carry out the audit, which includes ensuring all income and expenditure is correctly recorded in the accounts, all expenditure has been properly authorized, sighting all the signed board minutes for the year; confirming the Board has reviewed the cyclical maintenance plan during the year and being satisfied that all financial policies and procedures have been followed.

The auditors may determine that some adjustments are required to the accounts, and once these have been made the final accounts are sent to the school. The Board must approve the financial statements and they must be signed by the Principal and Presiding Member. The auditor then attaches their audit report to the financial statements and they are submitted to the Ministry by the statutory deadline of 31 May.

The school's auditor is appointed by the Office of the Auditor General (OAG) on a three yearly cycle. The current cycle covers the 2021 to 2023 financial statements.

## Ministry of Education School Funding



Schools receive many different types of funding from the Ministry of Education throughout the year. Here is a summary of the most common types:

- **Operational Grant** - this is the main source of funding for schools and kura and is paid quarterly at the beginning of January, April, July, and October. The level of funding is determined by the student roll and the equity index.
- **Teacher aide funding** - this is funding provided to schools to help cover the costs of teacher aides in the classroom to support students with higher needs. The level of funding is determined by the assessed needs of the students. Schools must apply for this funding for eligible students and it is also paid quarterly, in Feb, May, August, and November.
- **ESOL funding** - this is funding to assist with the teaching of English to migrant and refugee students as well as NZ-born students of migrant parents. The school must apply for this funding for eligible students and it is paid twice a year.
- **Relief teacher funding** - schools can apply for funding to cover the costs of relievers when staff are on extended sick leave, jury services or are required to 'act up' or take higher duties.
- **Capital works project grants** - this is funding for the projects approved as part of the 10-Year Property Plan. These grants are recorded on the balance sheet and not as income.
- **Furniture & Equipment grant** - this is a capital contribution to assist with the upgrading of furniture & equipment within a school. The level of funding is determined by the physical size of the school and is paid out in each 5-year period. Two-thirds is paid out in the first year of the 5-year cycle and the final third is paid out in year three. This grant is recorded on the balance sheet and not as income.





## Equity Funding: The Equity Index Model

In January 2023, the Ministry of Education replaced the old socio-economic decile system as the means of distributing funds with a new model called the Equity Index (EQI).

Equity funding is one of the Ministry of Education's current funding schemes for schools to reduce educational disparities between different groups and support schools in raising their students' levels of educational achievement.

The shift to the EQI has changed the amount of equity funding some schools receive. Although overall funding increased, some schools qualified for less equity funding; Conversely, some schools will receive more equity funding. Every school will have an EQI number ranging from 244 to 569. A higher number indicates an increase level of barriers faced by students with regards to their educational achievements.

### **The Donations Scheme:**

If your school has an EQI of 432 or above, the school is eligible to participate in the Ministry of Education donations scheme. This means that the Ministry will pay your school \$154.13 per student if:

- the Board agrees to opt in to the scheme and;
- the Board does not ask parents/caregivers for any donations (gifts/koha), except for overnight school camps

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## 14 BOARD MEETINGS



### Providing Strategic Leadership & Direction to Your School

**Board Meeting Dates:** For the most effective governance, board meetings should be held a minimum of twice per term. The meeting should include a review of the previous months financial results against the budget, and/or forecast and identify what actions are needed in the next period. It would be helpful if the board meetings were scheduled for after the 10th of the month so that there is time for the prior month's reports to be prepared and to ensure the majority of the monthly invoices have been received. This ensures the reports include the most up-to-date information. It is also important that board papers are circulated before the meeting so all Board members can be prepared to discuss the items on the agenda and receive insightful answers to specific questions.

**Board Meeting Agendas:** It is good practice to create an agenda for each meeting and circulate it before the Board meets. Having a clear board agenda provides the structure and direction for your meetings, so it is important to include a list of everything that needs to be covered. Board meeting agendas typically include approval of prior meeting minutes, action points from the meeting, finance report, principals report, health and safety report, and other items; e.g, strategic planning, policy review, and assessment data. The Board's minutes must be signed at the following meeting.

**ALWAYS REMEMBER THAT YOU'RE NEW - SO YOU'RE NOT EXPECTED TO KNOW EVERYTHING. THE BEST WAY TO LEARN IS TO ASK QUESTIONS IF THERE'S ANYTHING HAPPENING THAT YOU DON'T UNDERSTAND OR ARE UNFAMILIAR WITH.**

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## 15 PROFESSIONAL DEVELOPMENT



### Complimentary Training Sessions

At Accounting For Schools, we are passionate about assisting with the development of skills within the support teams and Board of Trustees. Our group training sessions offer schools the chance to expand their skills and knowledge, helping them make more informed decisions.

Our training sessions for support staff explore banking staffing, Xero insights, streamlining the accounts payable process, budgeting, integration between Xero and SMS systems, and other current issues facing schools. Our training sessions for Board of Trustees identify the key financial items Board members should be looking for, explain how staffing works; explain the funding process, and tips on securing additional funding for your school. These courses are all provided at no cost to your school.

Every month we publish "The Chalkboard" our monthly newsletter filled with the latest industry news, need-to-knows, staffing updates, and tips and tricks. Our Accounting For Schools Facebook page is also a great resource to keep you informed.

**ACCOUNTING FOR SCHOOLS IS DRIVEN BY CREATING EXCEPTIONAL SERVICE WHICH DELIVERS TRANSPARENT AND ACCURATE FINANCIAL INFORMATION TO SCHOOLS THROUGHOUT NEW ZEALAND.**



## 16 BOARD CALENDAR

### Your Board of Trustees Calendar

#### Board Calendar

<b>January</b>	
<b>February</b>	First meeting of the year for the Board. The presiding member is elected and meeting dates for the rest of the year should be set. The Board should approve delegated authority for the year.
<b>March</b>	Draft annual financial statements should be approved and sent to the auditor by 31 March. March roll return is submitted to the Ministry.
<b>April</b>	
<b>May</b>	Board approves audited financial statements and Analysis of Variance and submits them to the Ministry by 31 May.
<b>June</b>	
<b>July</b>	Mid-year budget review.
<b>August</b>	
<b>September</b>	September roll return is submitted to the Ministry. Provisional operational grant funding and staffing entitlement notices are received for next year.
<b>October</b>	Start the annual plan and budget process for next year.
<b>November</b>	Ensure 10YPP is up to date and review cyclical maintenance plan.
<b>December</b>	Board approves the budget for next year.

**Note** - The Board should set a calendar to review all policies throughout a three-year cycle.



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## CONTACT US

Talk to the School Accounting Experts today

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WITH SIMPLIFIED  
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