

# Making Financial Benchmarking Work for Your School

## Introduction

It is very important for schools to get the best out of their resources. They themselves are responsible for doing this in a system of delegated budgets. Additional pressures arise from national standards and targets for pupil attainment by turning the spotlight on to the needs of pupils, and on to measures of their performance. Also, those who monitor education services have an increasing role to encourage schools to look at whether they are providing services of the right standard at a reasonable cost. The need to demonstrate best value to parents, auditors and regulators, and the need to ensure internally that resources are used effectively, is prompting schools to compare finances through benchmarking.

In local authorities comparisons have been made over many years between the costs, level of activity and methods of working. They have co-operated in the collection of comparative information which is used to publish performance indicators or benchmarks. In education, the performance of schools is published in league tables of examination results and schools are encouraged to make comparisons of their own performance against these benchmarks through the Pupil Attainment Tracker. With the introduction of Consistent Financial Reporting in April 2003 and the launch on 18 November 2003 of the benchmarking website, schools now have the tools to compare their expenditure with that of similar schools. They can tailor their spending and reallocate resources to ensure that education spending reflects educational policy and priorities and is effective in delivering them.

## Taking Control of the Agenda

Benchmarking expenditure is a way for schools to take control of the change agenda. Whilst an initial need to reduce costs and to focus on performance might have persuaded schools to become involved in benchmarking, many are becoming increasingly concerned with delivering the best educational services to meet the needs of their pupils. However, the most successful benchmarking will only be achieved by those with full commitment to the benchmarking principles and to the subsequent implementation and management of change.

Private sector organisations embark on benchmarking to stay competitive. This usually means providing the highest quality service at the lowest cost. Quality and low cost can be achieved at the same time. The best do achieve this and use benchmarking to ensure that they do not become complacent. The best public services are no different. What marks both out as the best is their continuous focus on improvement. Some schools may be reluctant to start benchmarking because they think it will be too time-consuming and therefore costly, or that it is a technique which is not for them. Some believe that they are unique and that benchmarking would be impossible. None of these is true; all schools can use benchmarking to good effect if they commit to managing the process. Benchmarking should be part of schools' strategic financial planning to allocate resources to maximise pupil performance. By using it to focus on improvement it becomes a powerful tool to highlight opportunities for change.

## Best Value

Benchmarking is a key element of Best Value. Benchmarking your finances and seeking best practice will help schools achieve Best Value. Best Value is a balance of quality and cost. It is increasingly used in Ofsted inspections to show how well schools use their budgets to improve performance standards and pupil attainment. Benchmarking demonstrates the application of the BV principles – challenge, compare, consult, compete – through the systematic process of comparing performance, understanding why there are differences and taking appropriate action.

## The Benefits of Benchmarking

Benchmarking your expenditure will help you to:

- Focus on planning and managing your budget;
- Identify areas for improvement;
- Set targets for improvement;
- Achieve best value – quality v. cost;
- Improve the effectiveness of your spending to improve performance;
- Deliver educational services to a defined standard.

Most importantly benchmarking your finances can help lock your school into the cycle of continuous improvement and to develop a culture where it is easier to question the norm and to make changes. It is essential that financial benchmarking is not used solely to focus on reducing costs, but also to improve the quality and impact of your school's services. It might be difficult to measure improvements in quality through financial benchmarking but there can be significant quantifiable gains in pupil and staff satisfaction. If used in conjunction with the annual Autumn Package of Pupil Performance the impact on pupil attainment can be quantified.

## Selecting Areas of Expenditure for Benchmarking

There are a number of things to consider when selecting the areas of expenditure for benchmarking. The most important is to identify those areas which are likely to bring early success; those which will have the greatest improvements in standards or cost reduction; and, those areas over which you have the greatest control and therefore offer the greatest potential for change.

Don't waste time looking at areas where there is little evidence of room for improvement.

## Consistent Financial Reporting

From April 2003 all maintained schools have to submit annual Consistent Financial Reporting (CFR) returns. CFR standardises, simplifies and streamlines the reporting of school finances in all maintained schools in England. CFR enables schools to compare expenditure in a

meaningful way to help make informed and important spending decisions. CFR facilitates networking between schools and encourages less efficient schools to look to more successful schools for advice on best practice. Access to benchmarked data on the benchmarking website helps school managers to make better-informed decisions for annual budgets, in turn improving overall efficiency and school outcomes year on year.

The Benchmarking Website ([www.teachernet.gov.uk/schoolfinance](http://www.teachernet.gov.uk/schoolfinance)) can be used to show your school's income and expenditure compared with that of similar schools selected using the criteria of your choice. The CFR data you have submitted will be pre-loaded onto the site. You will be able to view this data for the current financial year and view charts showing changes in income and expenditure over time. Then you will need to select comparable schools by choosing a combination of comparison criteria.

The website produces a series of charts showing expenditure per pupil for the schools that match your selection criteria. Your own school's data will be highlighted. Charts may be printed out or unit cost data downloaded for further analysis. You can also choose to look at the expenditure profiles of a group of schools without entering your own data.

The system will save the most recent information that you have entered. This will be recalled automatically next time you visit the site from the same computer. You can then amend the data to perform 'what if?' scenarios or selection criteria as necessary. The amended data will be saved for future use when you quit the site. The customised data that you amend will only be accessed by you from the same computer and will not overwrite the data stored on the database.

All data in the database is confidential so individual schools cannot be identified. However, there may be occasions where a school may wish to contact another school about its data, either to clarify the expenditure or to discuss ways that a particular school has addressed a particular problem. Selecting suitable partners is what benchmarking is all about and enabling dialogue between schools about expenditure issues is essential. Therefore, a feature of the benchmarking website is the facility to enable you to email a particular school and ask them to contact you. To maintain confidentiality, schools will be able to choose whether or not they wish to be contacted. However, you will not be able to participate in this facility unless you agree to be contacted yourself. It will be up to the school whether or not they wish to respond.

The benchmarking website splits your total expenditure into five main categories: staffing costs, educational supplies, premises costs, occupation costs, and other supplies and services. Income is split into four categories: delegated funding, other central funding, school generated income and other income. These are in turn broken down to detailed headings. In a few cases, the detailed expenditure is further analysed to give a unit cost and volume comparison. For example spend on teachers is split to give average cost per teacher and pupil teacher ratio. Understanding the main headings will help you to identify the costs that should be allocated to each of the detail headings, which relate directly to those used in CFR. Online help is available and all the CFR income and expenditure headings can be found in the CFR framework section of the School Finance Pack.

## Selecting Comparison Criteria

A key part of the benchmarking website is the section which allows you to select comparison criteria to enable comparison with similar schools. These criteria work in combination. There are many thousands of combinations possible, some of which may not find sufficient matches in the database. Equally too few criteria will find too many matches. To avoid fruitless searches the site uses a prioritising process.

< Print friendly
160 matches found. (Must be between 10 and 80 to proceed.)

Expand All >
Collapse All >
Clear All >
Check Matches >

School Data	Comparison area	Active criteria
276	▼ No of Pupils (FTE)	250 - 300
15	▼ No of Teachers (FTE)	
Primary	▼ School Phase / Type	Primary
No	▼ Is there a Sixth Form?	
0	▼ No of Pupils in Sixth Form	
2	▼ No of Pupils with Statement of SEN (FTE)	
28	▲ No of Pupils on SEN Register (FTE)	
	No of Pupils on SEN Register (FTE)	Between: <input style="width: 50px;" type="text" value="25"/> and <input style="width: 50px;" type="text"/>
	<span style="border: 1px solid #ccc; padding: 2px 5px; color: #c00000;">Clear</span>	
36	▼ No of Pupils Eligible for Free School Meals	50 - 60
24	▼ No of Pupils with English as an Additional Language	
5	▼ Lowest Age	
11	▼ Highest Age	

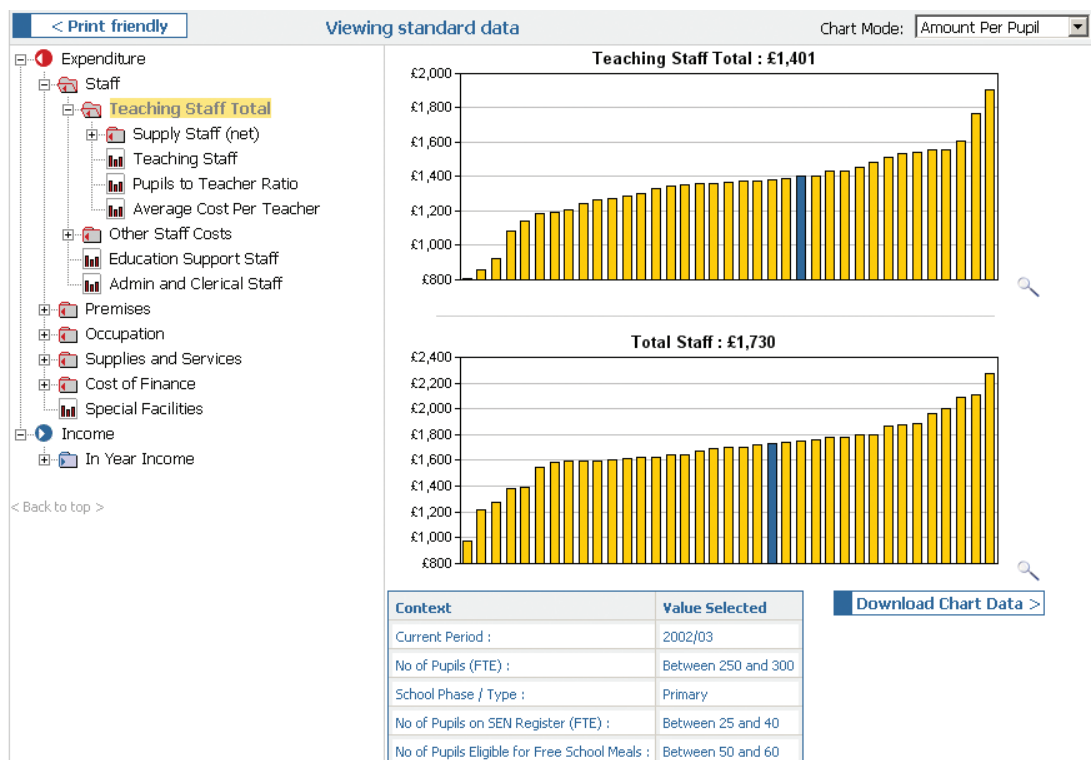
Expand All >
Collapse All >
Clear All >
Check Matches >

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Context variables will appear in a collapsed state alongside the corresponding data for your own school for reference. Context ranges should be complete on a priority basis – for those criteria that are important to your school. For example, the number of pupils on role will normally be an important factor to differences in income and expenditure and so setting a range for this around your own school size would be sensible. Checking the number of matches after each criteria has been selected makes it easy to see when you are reaching a suitable benchmark set size.

You will be required to select between 10 and 80 schools before you are allowed to proceed to the next stage. Limitations on the way the results are displayed mean that it may be hard to discern your own school on the charts if more than 80 comparators are chosen. The system will not display charts with less than 10 schools in order to maintain the anonymity of schools on the site.

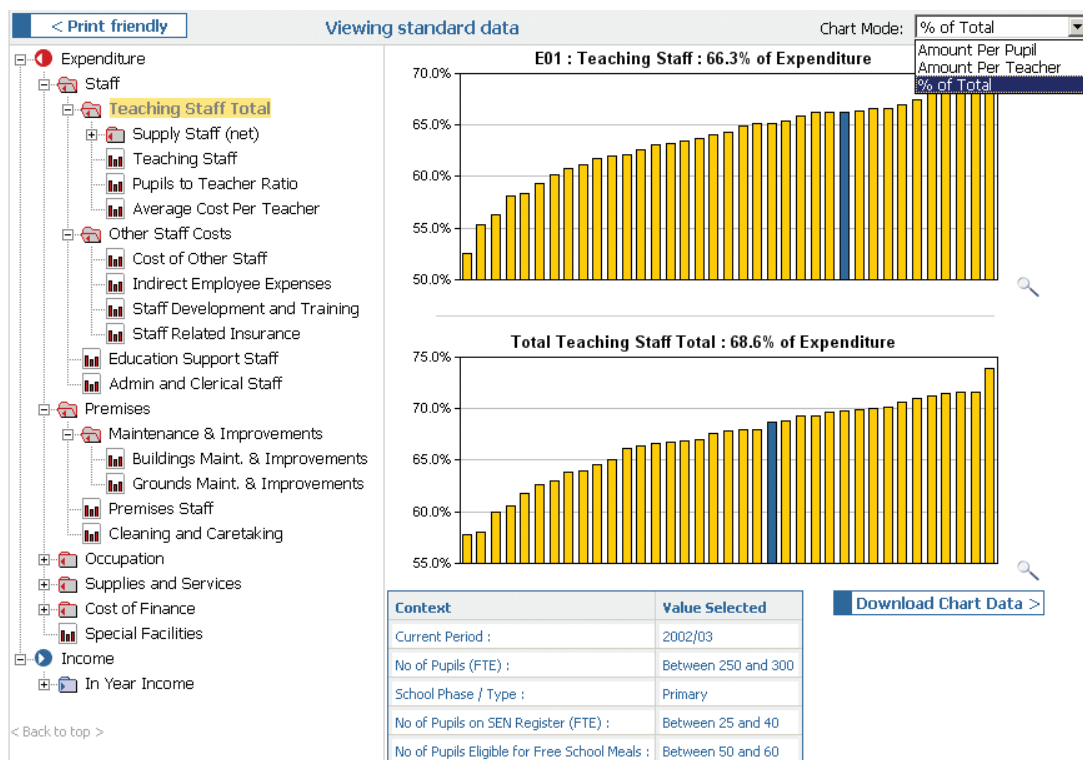
## Displaying the Results of Your Search



After you have submitted your comparison criteria, you can then display the series of charts. The standard display lets you investigate income and expenditure, starting with total spend and the main summary sub-totals before looking at the detailed headings. Each page of the display shows a series of graphs. One shows a 'high level' comparison (e.g. total spend per pupil). Another shows the next level of detail (e.g. staff cost or premises costs). When you move to a more detailed breakdown of expenditure, e.g. teaching cost, one graph will show the aggregate level of information (staff cost) and the other will show the detail (e.g. teaching cost). The expenditure hierarchy is shown on the left hand side of each page and you can move from graph to graph by clicking on the indicator that you want to see. Each indicator expands the links to show the higher and lower level graphs in the hierarchy.

As well as the standard per pupil display, the website provides a number of alternative ways of presenting the data including:

- data as a percentage of total cost/income;
- data per teacher;
- download data in CSV format – this will download data for importing into most spreadsheets or statistical packages.



## Understanding the Results of Your Search

Care should be taken in interpreting comparative expenditure data. The information shows the position of a school relative to other schools you have selected. It does not explain why a school is in this position, nor provide a view on whether it should be. There may be a number of good reasons for a school to have high or low figures. The important thing is for school managers – governors, head teachers and senior staff – to review the differences and to question the reason for them. For example, is the position of your school in the graphs counter to expectations? Does it reflect special circumstances or decisions on the allocation of resources?

There may be occasions when you may wish to contact a particular school to ask for more information. You may want to find out if there is scope for you to improve your own performance and to look deeper into potential benefits or problems before you make your decision. In these instances you can ask them to contact you by clicking on the chart. This chart includes a key of anonymous identifiers for the schools in your benchmark set. These identifiers are consistent from chart to chart in the same comparator set, allowing you to track the schools that appear to be consistently spending less than you. Underneath the chart is a drop-down list allowing you to select a school you wish to contact.

## Interpreting the Graphs

The structure of the database has been designed to enable you to look at aggregate expenditure before drilling down to a more detailed level. The aggregate expenditure headings have been carefully chosen to link together areas of spending where schools may have adopted different approaches to services. For example, some schools might employ cleaning contractors – expenditure will be shown as ‘cleaning’ – others will directly employ a caretaker or cleaning staff – expenditure will be shown as ‘premises staff’. Even so, the aggregate ‘premises costs’ will combine these to give an overall assessment of your position.

You need to look at the overall picture presented by all the indicators, and to judge whether there may be similar examples where high expenditure in one area may be balanced by low expenditure in another. You can download and print the data to investigate further whether any schools you are comparing yourself with that have low expenditure in one area balanced by high spending in another.

You should pay most attention to major areas of expenditure such as staff, where spending only slightly above average could be having a major impact on your overall budget. You can use the ‘% of total cost’ button to find the specific areas where you are spending the most. You can use the additional analysis of ‘pupil teacher ratios’ and ‘average cost per teacher’ as well as comparisons of ‘admin hours per pupil’ and educational support hours’ to gain further insight into staff costs. Being a high spender on areas such as water charges will have less impact on your total budget. Even so, every little helps and reduced spending in low impact spending areas could release resources that could be used in other areas.

## Examples

The following examples of what to look for in benchmarking data have been provided by a London LEA.

### Example 1:

A high school wishes to compare its expenditure on teaching staff with other schools having a similar number of pupils. As London weighting is a factor in expenditure on staffing, the school wishes to restrict the comparison to schools in London.

The school selected a comparator group using the following criteria:

Financial year, secondary schools to 16; community schools; size 900 to 1200 pupils; in London Boroughs.

A good size for producing a graph is somewhere between 10 and 80 comparators.

On the graph page choose **cost of teaching staff**. The graph can be viewed as a **percentage of the total spend, cost per teacher** or as a **cost per pupil**.

Staff cost graphs can then be printed. Alternatively expenditure data can be downloaded as a .csv file which can be opened in Excel to undertake further analysis and make your own graphs.

If your staff costs are higher than those of the selected comparator schools, you may wish to consider the following points:

- For teaching salaries the experience of the staff could be a factor which may cause relatively higher costs as more experienced teachers are generally paid at higher salary rates. The school could explore this by choosing the graph **Average cost per teacher**.
- The supply costs incurred may have been much higher than usual due to levels of long-term sickness, maternity leave etc.
- Additionally resourced mainstream schools and schools with relatively high numbers of children with special needs are more likely to spend a higher percentage of the budget on teachers' salaries. The school could explore this using the context graphs.
- Finally the school may also explore the **pupil teacher ratio** graph to see if that explains any difference in expenditure on teachers' salaries.



### Example 2:

A middle school wishes to compare its expenditure on **education support staff** with that of other middle schools in its LEA.

Education support staff includes staff giving direct support to pupils including SEN, medical, librarians, technicians, and ethnic minority support staff.

The school selects the following criteria:

financial year, middle deemed primary, LEA number.

The school chooses **education support cost** and the graph can be presented as a percentage of the total spend or as a cost per pupil.

The graph **average hours per pupil** shows that some schools have a very high level of support. As the number of pupils with special educational needs is likely to have a bearing on the provision of education support, the school returns to the criteria selection page and enters the **percentage of pupils with statements** as between 0 and 3%. (the average for the LEA middle schools is 2.6%)

This restricts the comparator group and the graphs can be reselected.

Other criteria which might be used in looking at education support are the % of pupils with SEN without statements and the % of EAL pupils.

The school may also wish to look at **other staff costs**.

### Example 3:

A community First and Middle School wishes to compare its premises costs with a group of schools of a similar size.

The school chooses community schools with between 300 and 500 pupils.

The **premises costs** graph can be viewed as a percentage of total expenditure or on a per pupil basis.

Expenditure on premises can be further broken down into **grounds maintenance, building maintenance, cleaning** and **premises staff**.

If the school wished to undertake further analysis, for example by combining the expenditure on premises staff with that on cleaning, the data for these schools could be downloaded as a .csv file and opened in Excel.

The school might go on to make a comparison of **occupation costs**, including **rent and rates, energy, water** etc.

#### **Example 4:**

A First school wishes to compare its expenditure on books and equipment with that in similar schools nationally. The school has a nursery. The school chooses the following criteria:

Financial year  
First school  
Community or Voluntary Aided  
Size 0–500 pupils  
LEA type – any (all boxes ticked)  
With nursery  
Without an SEN Unit  
% fsm 5–15%  
%SEN 0–3%  
%SEN no statement 0–20%

This gives too many comparators for a good comparison (the recommended number is between 10 and 80 schools). In order to refine the selection the school changes the free school meals indicator to between 10 and 15%. This reduces the number of comparator schools.

The graphs show that the selected schools spend between 3 and 13% of their budget on books and equipment. Expenditure on books and equipment can fluctuate significantly from year to year due to one-off building/refurbishment schemes for example. So the school might choose to ignore the few high spenders (over 8%).

The expenditure per pupil varies greatly.

We have not been able to separate spending on furniture from expenditure on books and equipment, so the school wishes to find out whether some of the schools are also spending significant amounts on furniture. By downloading the data into a file which can be opened in Excel, the school can see that some schools also have expenditure in the furniture category. A separate analysis in Excel can be undertaken or the school can select the 'Contact School' button to obtain further information.

## **Understanding Why Expenditure Varies**

The goal of benchmarking is to improve performance. Comparing your expenditure with other schools and identifying differences in performance is only the first step. As a manager you have to consider the reasons behind the differences in expenditure and decide what, if any, changes are needed then, implement an action plan to ensure that your spending reflects your educational priorities. You may be able to reach your own conclusions or you might seek further information on best practice from another school.

## Implementing Change

Benchmarking on its own will not lead to change. Any benchmarking activity needs to stem from an overall search for improvement. It may generate a number of ideas for improvement and you will need to make some difficult choices on what you need implement first. Some organisations have addressed this problem by assessing each change in terms of its benefit and the ease of implementation. Selecting options that produce high benefit without major implementation problems help benchmarking activity to gain credibility and acceptance. It may also be difficult to achieve the expenditure levels of the best performing school in one go. In this case it may be wise to set interim targets for improvement but keep the long-term goal in mind. Schools should consider wider organisational implications of any change they plan to introduce to ensure that changes they might want to introduce in the future are not blocked.

Benchmarking activity that leads to successful change needs sufficient backing from the governing body to make the changes needed. Involving staff and parents can add weight to proposals for change. Staff should be involved at least from the point when changes are planned, if not before, so that they can make their views known and are given an opportunity to influence the changes. For instance if staff losses are necessary, it is important that everyone is aware of how change is to happen and when.

Strong leadership is required. All decisions have cost implications and implications for staff. What is best for the school may not necessarily be seen as best for the individual. Change can be disruptive and staff may oppose changes to traditional ways of doing things, so it is important that school managers create a climate where ideas can be encouraged and current practices challenged.

It is important to focus on a limited number of key objectives and to monitor results, so that the benefits of changes can be seen. Monitoring can have a positive effect on the motivation of those involved, as the value of the change becomes apparent.

## Tips for Successful Benchmarking

There are some things you can do to help benchmarking work for you:

### Planning

- Make sure school managers and governors are committed to benchmarking
- Select areas of expenditure likely to bring early success or large improvements in standards or costs;
- Be open with staff about the consequences of seeking improvements;
- Do not assume that benchmarking will always identify gaps. You may have selected schools that do things similarly to your own and it possible that you may be reassured that everything you are doing is fine when it is not;
- Link benchmarking to a strategic plan that relates resource allocation to improved pupil performance to enable you to challenge and evaluate resource management decisions.

## **Mapping**

- Use existing sources of information e.g. the benchmarking website, LEA benchmarking information, value for money studies, the Autumn Package;
- If you visit or contact partners (comparators) make sure you thoroughly prepare questions to ask them.

## **Analysis**

- Take time to do this thoroughly – Do not jump to conclusions;
- Involve governors and the whole team;
- Examine differences in partners' expenditure carefully – not all differences point to better performance. A good overall performance might hide some poor practices.

## **Follow-Up Action**

- Agree a plan for making changes with governors and stakeholders;
- Follow up agreed actions straight away;
- Since benchmarking can open your eyes to what others are achieving and therefore what might be achieved in your school, do not be afraid to set targets for improvement which appear to be tough;
- Involve staff in making any changes.

## **Review**

- Monitor outcomes and make sure the whole team is aware of improvements;
- Consider how to share learning and good practice with other schools.

## **Don't**

- Engage in benchmarking with the sole aim of seeking reassurance;
- Waste time on areas where there is little room for improvement;
- Seek perfect comparability – exact matches are impossible to find;
- Lose sight of your objective – improving financial and resource management;
- Seek information from others without a clear idea of what you are looking for;
- Propose changes without discussion with key staff;
- Try to benchmark too much at once.

## Other Ways of Making Comparisons – Partners and Benchmarking Clubs

The point of benchmarking is to share information and to learn. Therefore a key part of the planning stage of benchmarking is choosing suitable partners. Even if your partners do not do everything perfectly, differences in the way they approach resource management can still provide useful ideas for you. Schools which are held up as models of best practice will not be right about everything and they may be inundated by requests to visit them.

Try benchmarking with your near neighbours in your LEA first. You probably know them already and could establish a benchmarking relationship quickly. Try to choose those with similar characteristics such as size, type, function etc. If you have tried benchmarking with near neighbours, consider schools in neighbouring LEAs or even outside for example with demographic similarity or comparable area.

Consider benchmarking clubs. Some LEAs have set up their own groups for schools of benchmarking partners. This can help to achieve results quickly at low cost. These groups need discipline and deadlines to ensure progress, but they can be effective. Advantages of setting up your own group of benchmarking partners are that you can develop greater levels of trust and that staff across the LEA can make links with their counterparts. This encourages informal benchmarking where managers/governors/staff contact their opposite numbers to discuss ideas and exchange information.

## Conclusion

Benchmarking can be a powerful tool for schools to achieve improvement in financial management if done properly. Benchmarking needs to be supported by schools' governing bodies and planned and driven by head teachers and finance managers/bursars. It must engage commitment and enthusiasm of staff at all levels in order to achieve the necessary change. Schools need to work with their own staff, with other schools and with LEAs to bring together the ways they use benchmarking for resource management, and benchmarking for attainment. This will enable curriculum plans and budgets to be modelled together to support development planning. Schools will then need to evaluate and challenge the cost-effectiveness of their resource management decisions to assess whether the investment of resources delivers the intended educational outcomes and to what extent any changes in the use of resources have resulted in improved pupil performance.

# Individual Case Studies

## Case Study 1

A benchmarking exercise was carried out in a high school. When looking at teaching and non-teaching staff structures it was found that the percentage of teaching staff without a responsibility point was well below average for the group. The average salary for teaching staff was therefore above the average for the group.

The number of hours for teaching support, admin and clerical staff was well below the average for the group and the number of hours of teaching support, admin and clerical paid at Scales 1 and 2 was significantly above the average for the group.

Additionally, teaching staff expenditure per pupil (including supply) was 1.8% above the average, and expenditure on non-teaching staff was over 40% below the average for the group.

The question which arose was; “are these items indicators of efficiency and effectiveness or do they indicate that teaching staff may be undertaking tasks that could be undertaken by admin and support staff?”

The school decided to review its policy on using teaching staff for support duties and as a result was able to employ support staff more cost-effectively, leaving teaching staff free to concentrate on teaching to improve standards.

## Case Study 2

During its benchmarking exercise a London school discovered that the cost of supply teaching significantly exceeded that of other schools in its LEA. After further investigation they found that the difference in the lowest and highest daily rates of supply teaching staff was as much as £15.00.

The school was using supply teaching staff on the top CPS point to cover long-term sickness and maternity leave. It reviewed its supply and staffing policy and was able to use supply staff at the lower rate, achieving a saving of £3,000 per annum.

## Case Study 3

A secondary school decided to look further at costs for its ‘other supplies and services’. The overall costs were higher than average so the bursar downloaded the comparative data to an Excel spreadsheet. There was no scope for savings on some items but the service contract on photocopiers was coming up for renewal. The school decided to look at other providers before automatically renewing the contract. It found that charges per copy varied by as much as 2p per copy. In a school that needed around 100,000 copies a year a saving of £2,000 could be made. After checking that the contract with the proposed new provider gave them everything else the old provider had done, the school signed up with a new provider. The money was put towards whiteboards for classrooms.

## Case Study 4

A group of ten schools in the same LEA met, initially to compare costs and share good practice. They discovered they all had a problem with their catering service. They all felt that they were not receiving value for money from the management companies they employed, and what was being offered by the LEA's catering service was no better. They agreed to go to tender, as a group, to see if they could improve the service and offer parents better value for money. They achieved both and now all ten of the schools are benefiting from a small income from their catering service for the first time. By forming a purchasing group, they had put themselves in a strong negotiating position and the management companies they had given the opportunity to tender were far more competitive for the 10 schools than they would have been for one.

## Case Study 5

X is an urban primary school in a London Borough designated as an Education Action Zone (EAZ). It has 235 boys and girls ranging from nursery to year 6. The school has a high proportion of ethnic minority pupils and a high proportion of free school meals. The LEA has delegated responsibility to the school for most of its budget share. Therefore, the school's bursar benchmarks all its education services to ensure they provide value for money.

Although the costs of the catering service were very manageable, it did not entirely meet the school's needs. The quality of foodstuffs was variable and choice was limited. Many of the children brought in their own lunches, which were not always particularly nutritious. The bursar undertook a review of the school's catering contract. A new specification was outlined and a number of catering contractors were invited to tender, including the original provider.

The school chose to offer the contract to a more expensive tender than the outgoing provider. It was still within their budget and offered the best all round catering service for the pupils. Namely:

- A choice of foodstuffs to suit the needs of the ethnic minority pupils, for example offering halal meat);
- A range of good quality fresh produce – many of the pupils had free school meals and it was important to ensure that had access to good healthy meals;
- Home cooked food – the food is cooked on the premises by a cook using good quality produce;
- A permanent on-site cook – the nursery school children eat in the nursery. Meals are provided just before noon. This would not be possible if meals were brought in ready cooked.

Almost all the pupils now have school meals. Parents are happy with the service as it suits their cultural requirements. The school did not award the contract to the cheapest provider, but the one that gave this particular school Best Value.