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# **A guide to academy value for money statements**

**For academy accounting officers**

**August 2014**

# A guide to academy value for money statements

## What do accounting officers have to do, and by when?

As explained in the Academies Financial Handbook, academy trust accounting officers are required to complete and sign a **value for money statement** in respect of the period ended 31 August each year. This applies to all academy trusts that have converted by 31 August.

The purpose of the statement is to provide accounting officers with an opportunity to demonstrate to parents and the public that the academy trust's use of public assets and funds has provided good value for money during the year and to identify opportunities for potential improvement.

The value for money statement must be completed incorporating the accounting officer declaration set out in the published format and submitted to the Education Funding Agency (EFA) by 31 December 2014. **EFA will confirm the method of submission nearer the due date.**

The academy trusts must also publish the statement on the trust's website by 31 January following the year to which it relates. Statements for the year ended 31 August 2014 must be published by 31 January 2015.

The academy trust's external auditor does not need to audit the statement.

This guide gives information about some of the issues that accounting officers should consider when making their statement.

Annex A provides details of observations made by EFA on statements received for the year ended 31 August 2013.

## What is value for money?

Value for money is about achieving the best possible educational and wider societal outcomes through the economic, efficient and effective use of all the resources in the trust's charge.

## What is the role of the accounting officer in this context?

Accounting officers are personally responsible and publicly accountable for achieving the best possible value for money in their organisation. This includes:

- the economic, efficient and effective use of all the resources in their charge – for example to produce better educational results;
- the avoidance of waste and extravagance;
- the prudent and economical administration of the organisation;

- the establishment and maintenance of a system of financial governance, including sound internal spending controls, keeping up to date financial records, continuous financial monitoring and timely reporting; and
- ensuring all financial transactions represent value for money.

A key objective is to achieve value for money not only for the organisation itself but for the taxpayer more generally. So whilst it involves an academy trust living within its budget and using its resources properly and with probity, it is primarily about how it continuously improves both the educational and wider societal outcomes for its pupils with the resources available.

## What should be considered in assessing value for money?

### Focus on the most significant issues

The value for money statement should contain the information that is most relevant and appropriate to the trust, but should emphasise those issues that had the greatest impact on the trust's use of resources.

### Use specific examples

We are not looking for a lengthy report but it should focus on **specific examples** of:

- the areas where the trust has achieved value for money; and
- the areas where the trust could do better.

You should provide descriptive evidence of the actions taken, and to be taken. **The following examples are not exhaustive, nor are they a checklist on which we are expecting a commentary on each item:**

- **Improving educational outcomes:** What has the trust done to ensure that educational standards continue to improve for the benefit of pupils and wider society, and that all pupils have the opportunity to raise their individual levels of attainment? For example:
  - **Targeted improvement:** Has the trust kept its staffing structure under review and deployed staff efficiently to support an improved curriculum, or to target areas of the curriculum in need of development?
  - **Focus on individual pupils:** How has the trust managed the differing needs of pupils, such as those requiring one to one support, and those requiring more stretch?
  - **Collaboration:** How has the trust engaged with other educational providers and experts to share delivery or good practice, and to drive up standards for the least cost? If your academy trust is a multi-academy trust, have shared services been used across the trust?

- **New initiatives:** What changes did the trust make to its budget to accommodate additional activities whilst living within its means?
- **Quantifying improvements:** What data is available to evidence the trust's strategies – such as pupils' educational attainment, behaviour and attendance records over time – and what does it show? What was the trust's financial performance in the corresponding period?
- **Financial governance and oversight:** Does the trust's system of financial governance include strong oversight by the trustees and accounting officer? How have they advised and challenged decision makers within the trust on the cost and effectiveness of spending proposals in order to achieve value for money? Could funding have been used to better educational or economic effect elsewhere?
- **Better purchasing:** What has the trust done to get more for its money? For example:
  - **Fitness for purpose:** Has the trust appraised or renegotiated services and contracts to get the best mix of quality and effectiveness for the least cost?
  - **Benchmarking:** Has the trust benchmarked its costs against similar organisations to identify areas for making savings?
  - **Options appraisal:** Have different options been considered before making purchases, including an assessment of the costs and benefits of the alternatives over the longer term? Has tendering been used appropriately and effectively to get the best deal? This does not mean always choosing the cheapest option.
  - **Economies of scale:** Has the trust taken opportunities to work collaboratively with others to reduce and share administration and procurement costs?
- **Maximising income generation:** Has the trust taken opportunities to explore and generate additional and reliable revenue streams?
- **Reviewing controls and managing risks:** How has the trust organised its internal controls to maximise its use of assets? Does management receive regular budget reports, and how do they act on them to best utilise spare resources and prevent waste? What has the trust done to manage cash, bank balances and investments effectively? Have risks been reviewed regularly and mitigated cost-effectively?
- **Lessons learned (reviewing operations to maximise resources):** What has the trust done to appraise and learn from its strategies and decisions in order to make the budget go further?

Remember to include examples from the year to support any points made.

## **Annex A: Observations made by EFA on VFM statements submitted for 31 August 2013**

From our review of VFM statements for 2013 we have identified some themes which may help trusts in writing their statements for the period ended 31 August 2014.

### **Good practice identified**

Statements which included illustrative examples to demonstrate value for money being achieved provided a more useful insight into how an academy trust's use of assets had provided good value for money during the year.

The statements were wide in scope and many included a range of examples, such as:

- improvements in students gaining access to higher education
- reduction in NEETs
- reductions in the achievement gap between free school meals (FSM) and non-FSM pupils
- provision of in-house school meals to provide improved nutritional meals at better value
- provision of a summer school and Saturday classes to improve pupil performance
- income generation through the hire of school facilities to the benefit of the local community
- savings on large contracts and use of options appraisal
- collaboration and sharing good practice with local schools
- discussion and challenge of financial information at finance committee and full governing body

Examples such as those above provided a clear insight into how a trust actively sought to achieve value for money and often demonstrated the involvement and oversight of the accounting officer.

### **Areas for development**

Some statements detailed the best value policy for the academy only. In order for stakeholders to gain an understanding of how the academy trust has achieved value for money during the period to date, statements should be specific to the period and include examples.

A number of statements were written in the future tense, setting out the best value policies of the academy. It was assumed that these policies had been followed in the

period ended; however the statement should look back, to demonstrate what has already been done during the period.

To demonstrate that the accounting officer is fulfilling their duties in accordance with the Academies Financial Handbook, the statement should reflect the accounting officer's responsibilities and how they have ensured value for money has been achieved; rather than focussing on the responsibilities of governors.



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