

Cash benchmark - guidelines and procedures

Contents

1. Introduction	3
2. Roles and responsibilities	3
2.1. Principals.....	3
2.2. School bodies	3
2.3. Chief Financial Officer	3
2.4. School Financial Improvement Managers	4
2.5. Business managers.....	4
2.6. Senior Directors Education	4
2.7. School Business Services	4
3. Guidelines and procedures	4
3.1. Guidelines	4
3.2. Procedures.....	5
3.2.1. Calculating a school's current position.....	5
3.2.2. Completing the cash commitment summary	6
4. Definitions	6

This document should be read in conjunction with the Financial and Resource Management for Schools (FARMS) Manual, section 8 – Budget management.

1. Introduction

These guidelines and procedures set out processes for a consistent approach to the management of school resources, in particular, cash held in school bank accounts and the school cash benchmark set by the department.

The recommended benchmark established by the department has the ultimate purpose of ensuring that schools hold sufficient cash in reserve to meet financial obligations as they fall due.

2. Roles and responsibilities

2.1. Principals

Principals must:

- budget so the default or adjusted cash benchmark remain uncommitted in the school held (SH) budget
- budget and use uncommitted funds above the default or adjusted cash benchmark funds to support the school's strategic and operational goals
- seek support from School Business Services (SBS) within 2 weeks if the cash benchmark funds cannot remain uncommitted
- seek school body approval for an adjusted cash benchmark if the expenditure from the previous year is expected to be significantly different from expenditure in the budget year. Attach calculations in CiA.

2.2. School bodies

School bodies must:

- provide strategic oversight in the development of the school held budget
- budget to keep the cash benchmark funds uncommitted
- budget to spend all funds above the cash benchmark according to the school's operational needs and student needs profile
- approve a motion for an adjusted cash benchmark if needed.

2.3. Chief Financial Officer

The Chief Financial Officer must:

- maintain oversight of the cash positions held by schools
- ensure appropriate and useful departmental resources and training to schools are in place to support schools to meet their accountabilities under these guidelines.

2.4. School Financial Improvement Managers

School Financial Improvement Managers must:

- provide expert advice and leadership to school staff to service financial, governance and operational needs of schools
- identify any schools at risk of not meeting responsibilities as outlined in these guidelines.

2.5. Business managers

Business Managers must:

- provide strategic financial advice to the principal regarding the school held budget, including future years' reserves
- support the principal to prepare and manage the school held budget.

2.6. Senior Directors Education

Senior Directors Education must:

- coach and mentor school principals to ensure action plans regarding ongoing effective and efficient resource management are achieved.

2.7. School Business Services

The School Business Services (SBS) team must:

- ensure capability development opportunities are made available to school leadership regarding the management of schools' future years' reserves
- reflect any changes to schools' cash benchmark, where approved by the school body
- monitor and report on the future years' reserves held by schools.

3. Guidelines and procedures

3.1. Guidelines

A school's current cash position is their cash assets minus total liabilities including unacquitted grants.

To assess their cash benchmark level, the school should first remove all funding committed to future-year projects. The remaining net available cash should fall within the school's operational cash benchmark range. The operational cash benchmark is calculated as the average of one month of the school's previous 12-month operational expenditure excluding any capital, depreciation or amortisation expenses.

Please note that in the cash commitment summary completed at the end of the year, the school's audited calendar year operational expenditure is used for this calculation. This calculation is also undertaken in CiAnywhere and populated into your current year school budget module.

If a cash benchmark adjustment has been made in the cash commitment summary, this same adjustment must be made in the school budget module within CiAnywhere.

If a school wishes to subsequently adjust their calculated cash benchmark after having completed the cash commitment summary, these adjustments must be approved and minuted by the school body or Senior Director Education (SDE) for management council schools. These minutes must specify the dollar amount of the adjusted cash benchmark, be signed by the school body Chairperson or SDE, and submitted to School Business Services via the SBS generic email – school.finance@education.nt.gov.au.

In considering a reduction of the cash benchmark, it is recommended that schools consider their risk of encountering a cash shortfall and inability to pay their bills when they fall due and other essential expenditure such as wages.

Where a school continues to hold a high level of cash in school bank accounts, the department will work with the school to ensure resources are allocated according to student need.

Risk considerations include:

Risk	Consideration
Review of income sources and timing	Some schools utilise external grant funding to operate programs within their schools. In these situations, schools may need to consider a benchmark or minimum cash balance to cover grant expenses whilst waiting for the next instalment of funding.
Alternative commitments available to support cash flow timing	To support cash flow timing, schools can utilise other funds held to support with cash flow in instances where the school might be waiting on their second instalment of funding. An example of this are reserve funds held for use in outer years.
Understanding current cash flow timing	NT Government schools can determine the timing of cash transferred from their school resourcing model (SRM) budget to the school body bank account. On review of cash flow patterns from prior years, you will be able to determine if a benchmark had been relied on in the past.

3.2. Procedures

3.2.1. Calculating a school's current position

Example: Crocodile Springs School

Step one: Calculate the available cash.

Calculate the available cash	
Total cash assets	\$1,000,000
Minus total liabilities	\$150,000
Available cash	\$850,000

Step two: Remove any funds set aside for future-year projects jobs – R jobs from available cash to calculate net available cash.

For example, at Crocodile Springs School there is \$100,000 set aside for purchasing a new bus and \$80,000 for new fencing.

Calculate net available cash	
Available cash	\$850,000
Minus funds for future-year projects –R jobs	-\$180,000
Net available cash	=\$670,000

Step three: Calculate the average of one month of operational expenditure.

Calculate the average of one month of operational expenditure	
Annual operational expenditure – minus any capital, depreciation or amortisation expenses	\$3,600,000
Divided by 12 – average monthly expenditure	\$300,000

Step four: Compare cash benchmark to net available cash.

Compare cash benchmark to net available cash	
Cash benchmark	\$300,000
Net available cash	\$670,000
Cash surplus above benchmark	\$370,000

Note: Crocodiles Springs School has a cash surplus of \$370,000 above the cash benchmark. Crocodile Springs School could spend this money on their current student cohort, or alternatively review the projects identified in reserves and bring forward the timing of one of these projects.

3.2.2. Completing the cash commitment summary

As part of schools' end-of-year financial procedures, all schools must complete a Cash commitment summary. This summary must be approved and signed by the school body prior to submission to the department by 31 March each year.

Schools can contact the School Business Services team if support is required.

This Cash commitment summary is included in the After the Audit-CiA EOY Workbook. Detailed instructions for completing the Cash commitment summary are included in the workbook.

4. Definitions

Term	Definition
Business Managers	School and bureau-based business managers, finance managers and administrative managers.
School bodies	Defined in Division 2 of the <i>Education Act 2015</i> and Part 5 of the <i>Education Regulations 2015</i> . There are three types of school bodies: <ul style="list-style-type: none"> school council – an elected body of members for a government school

Term	Definition
	<ul style="list-style-type: none"> independent public school board – an elected body of members for government schools that are independent public schools joint school representative body – an elected body of members which represent more than one government school.
School resources	School funding, the school workforce, school assets and school infrastructure.

Acronyms	Full form
FARMS	Financial and resource management for schools
SBS	School Business Services
SRM	School resourcing model

Document title	Cash benchmark - guidelines and procedures
Contact details	Department of Education, Financial Services, School Business Services, school.finance@education.nt.gov.au
Approved by	Resource and Budget Committee
Date approved	14 March 2024
TRM number	50:D24:32783

Version	Date	Author	Changes made
1	November 2022	Financial Services	Template updated
2	March 2024	School Business Services	Guideline updated to reflect revised methodology of calculating the cash benchmark for a school and key risk considerations for a school to consider when adjusting the calculated cash benchmark.