

# Australian Conference on Lutheran Education

## School Financial Health - Enabling Transformation

### Introduction

Accounting is often seen as "being accountable" for the past. However a primary focus is on providing useful information for future decision making. This presentation will help you understand past financial performance to identify new ways to improve financial viability and sustainability - enabling your school to provide the educational facilities and services you desire.

### Viability and Sustainability Cycle

**Financial viability** is the ability for a school to pay its debts as and when due.

**Sustainability** is the ability of the school to service its loans and replace assets as they wear out in the medium to long term.

Schools tend to worry about four main factors - student numbers, fees and grants (level and certainty), cost management, and future development. Future development is funded from operating surpluses (profit) and borrowings. However higher borrowings cause higher costs, requiring higher fees, which can adversely affect student numbers, which if this occurs, will reduce profitability/surplus - a downward spiral.

Profitability/operating surplus is the mitigating factor. A school must have sufficient profit to fund asset replacement and debt servicing. However, the higher the debt, the higher the required profitability to service it. It is a balance between the amount of debt a school incurs and the level of profit it must generate.

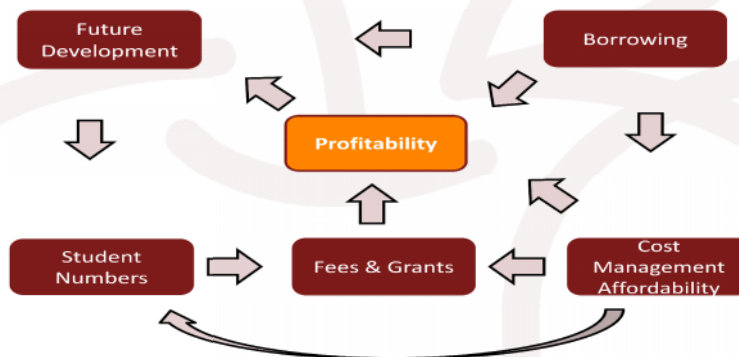


Figure 1: Financial Viability/Sustainability Cycle

### Objects of Session

- Understand formulae and rationale for key ratios used to help assess financial viability and sustainability
- Working with your own school's data, complete a simple worksheet to calculate key ratios
- Consider your results with reference to suggested minimum benchmarks
- Discuss your results individually with John Somerset where possible and appropriate
- Form a preliminary opinion on your school's relative financial wellbeing
- Consider action plans to improve wellbeing where required

### What to Bring

- A worksheet will be available in hard copy and Microsoft Excel format
- Bring laptop/ipad if available. If not available you can work manually from paper worksheet
- Copy of your school's 2012 audited accounts and/or your ASBA/Somerset financial benchmarking report
- Details of the number of primary and secondary students and teachers

*John Somerset is a Chartered Accountant who has been working with independent schools for almost 20 years. He is currently a director of Saint Stephens College, Coomera and President of Independent Schools Queensland.*

For further information about Somerset Education visit [www.somerseteducation.net](http://www.somerseteducation.net).