



**Local Government Association**

# the new school funding arrangements 2006–07: the school perspective

by Mary Atkinson, Caroline Gulliver, Emily Lamont and Jenny Murfield  
National Foundation for Educational Research

LGA educational research programme



**LGAresearch** • Report 3/06

# Also available in the LGA education research series

## **Annual survey of trends in secondary education: report of 2005**

*Sarah Knight, Geoff Taggart and Lesley Kendall*

LGA research report 12/05, ISBN 1 905314 18 3, February 2005, £13.00 (including free digest)

## **Champions of local learning: case studies of individual learners**

*Dick Downing, Chris Bojke and Richard White*

LGA research report 12/05, ISBN 1 905314 10 8, November 2005, £15.00

## **National and local government raising standards across schools: a literature review**

*Christopher Savory, Matthew Walker and Peter Rudd*

LGA research report 5/05, ISBN 1 903880 94 7, July 2005, £11.00

## **New roles for local authorities in education: opportunities and challenges**

*Anne Wilkin, Mary Atkinson, Karen Halsey, Annie Johnson, Richard White and Kay Kinder*

LGA research report 9/05, ISBN 1 905314 03 5, July 2005, £14.00

## **Annual survey of trends in primary education: survey of 2004**

*Claire Easton, Sarah Knight and Lesley Kendall*

LGA research report 8/05, ISBN 1 903880 97 1, May 2005, £13.00 (including free digest)

## **School funding: what next? Local authority and school views**

*Mary Atkinson, Emily Lamont, Richard White, Caroline Gulliver and Kay Kinder*

LGA research report 4/05, ISBN 1 903880 92 0, February 2005, £11.99

## **School funding: a review of existing models in European and OECD countries**

*Mary Atkinson, Emily Lamont, Caroline Gulliver, Richard White and Kay Kinder*

LGA research report 3/05, ISBN 1 903880 91 2, February 2005, £15.99

## **The local authority contribution to improved educational outcomes: phase one report**

*Anne Wilkin, Kay Kinder and Dominic Schad*

LGA research report 25/04, ISBN 1 903880 89 0, December 2004, £11.00

## **Extending the role of libraries**

*Anne Lines, Christopher Savory and Angharad Reakes*

LGA research report 23/04, ISBN 1 903880 88 2, November 2004, £10.00 (print on demand)

## **Mapping the 14–19 learning landscape**

*David Sims and Susan McMeeking*

LGA research report 10/04, ISBN 1 903880 74 2, July 2004, £8.00

Available from the Publications Unit  
tel: +44 (0) 1753 637002, fax: +44 (0)1753 637280  
book.sales@nfer.ac.uk, [www.nfer.ac.uk/bookshop](http://www.nfer.ac.uk/bookshop)

# the new school funding arrangements 2006–07: the school perspective

Mary Atkinson  
Caroline Gulliver  
Emily Lamont  
Jenny Murfield



*Local Government Association*



INVESTOR IN PEOPLE



Published in June 2006  
by the National Foundation for Educational Research,  
The Mere, Upton Park, Slough, Berkshire SL1 2DQ  
[www.nfer.ac.uk](http://www.nfer.ac.uk)

© National Foundation for Educational Research 2006  
Registered Charity No. 313392  
ISBN 1 905314 26 4

# Contents

<b>Acknowledgements</b>	<b>v</b>
<b>Executive summary</b>	<b>vi</b>
<b>1 Introduction</b>	<b>1</b>
1.1 Aims	1
1.2 Methodology	1
1.3 The structure of the report	2
<b>2 Implications of the new arrangements for schools</b>	<b>3</b>
2.1 Most important aspects for schools	3
2.2 Main advantages for schools	3
2.3 Main challenges for schools	4
2.4 Implications for specific aspects of the new arrangements	6
2.5 Implications for particular schools	8
2.6 The local authority's ability to target areas of deprivation	9
2.7 Implications for particular pupils	10
<b>3 Local authority support for schools</b>	<b>12</b>
3.1 Current local authority support for schools	12
3.2 Helping schools to plan ahead effectively	13
3.3 The role of challenge and support	14
3.4 Implications of the new arrangements for the local authority support role	15
<b>4 School financial management</b>	<b>17</b>
4.1 The level of financial expertise within schools	17
4.2 Assisting schools with financial management	18
4.3 Supporting financial management through inter-school collaboration	18
4.4 The School Financial Management Standard	19
<b>5 The role of the Schools Forum</b>	<b>21</b>
5.1 Awareness of the Schools Forum	21
5.2 The enhanced role of the Schools Forum	21
<b>6 Collaborative working</b>	<b>24</b>
6.1 Partnerships with other agencies	24
6.2 Extended schools	25

6.3	Collaboration between schools	25
6.4	The local authority's role in inter-school collaboration	26
<b>7</b>	<b>Future developments</b>	<b>28</b>
7.1	Academic year funding	28
7.2	The Single Standards Grant	29
7.3	Additional comments about the new funding arrangements	29
<b>8</b>	<b>School case studies</b>	<b>31</b>
8.1	Summary	33
8.2	Key issues	33
8.3	Areas for future development	33
<b>9</b>	<b>Concluding remarks</b>	<b>70</b>

# Acknowledgements

The authors would like to thank the school personnel who gave up their valuable time to be interviewed in this phase of the research. We would also like to thank a number of NFER colleagues. These include Richard White for reading and commenting on the final draft, Hilary McElderry for providing secretarial support; and staff in the NFER's Communications, Marketing and Information Services for their involvement in production and dissemination of the report. In addition, the authors would like to thank the Local Government Association (LGA) for providing the opportunity to undertake this research and, particularly, Andrea Sellars and Mike Heiser for their contribution throughout this phase of the study.

# Executive summary

The Local Government Association (LGA) commissioned the NFER to conduct a study examining the implications of the new school funding arrangements to be introduced in 2006–07, focusing in particular on issues for schools and how local authorities can support them. The main proposals include guaranteed multi-year budgets for schools, the introduction of a new ring-fenced Dedicated Schools Grant (DSG) and the bringing together of the School Development Grant and the School Standards Grant into a new Single Standards Grant. This final report focuses on the school perspective on the new funding arrangements. The interim report relayed the local authority perspective and can be downloaded free of charge from the NFER website.

## Implications of the new arrangements for schools

- Greater stability, brought about primarily by multi-year budgets was identified as the most important aspect and the main advantage of the new funding arrangements for schools. Other advantages included the protection awarded by the DSG. Headteachers agreed with local authority staff that the arrangements also improved transparency and, to a lesser extent, enhanced levels of flexibility.
- The most frequently cited challenges for schools were the requirement for financial expertise and fluctuating rolls. Additional financial training, further local support and enhanced formula flexibility were suggested as a means of addressing these challenges.
- Over half of the headteachers interviewed supported the introduction of the DSG as it assured guaranteed funding that could not be top-sliced by the local authority and allowed schools to target their identified priorities more easily. However, concern was expressed that the introduction of the DSG may lead to a reduction in local authority services.
- Combining Standards Fund grants into one School Development Grant was welcomed by headteachers

for providing greater clarity and freedom to allocate funds to need. However, the possibility that funds would be lost as a result and a lack of clarity about what was included in the grant have led to some apprehension.

- There was a concern that schools with fluctuating rolls, small schools and schools lacking in financial expertise may be negatively affected by the new arrangements. Funding for pupils with special educational needs (SEN) was identified as likely to be affected more than any other group of pupils.
- Headteachers expressed mixed views as to whether the new arrangements would affect the local authority's ability to target areas of deprivation. It was suggested that a lack of central funds may inhibit this ability, yet it was also noted that funding formulae typically provided adequate protection for schools in deprived areas.

## Local authority support for schools

- The most frequently identified forms of support currently provided for schools by local authorities were, in frequency order: review or audit visits; telephone advice and support; training; budget construction and planning; meetings for administration/finance officers; extra support when in difficulties; monitoring and software packages.
- The majority of headteachers were positive about the financial support they received from their local authority and, whilst some others had mixed views, only a few were negative about the support they received.
- The most frequent positive general comments centered around the provision of a good quality service and good relationships with local authority personnel, whilst consultation and training were identified as specific helpful aspects of the services provided by some.



- Negative comments tended to centre mainly around insufficient personnel, poor quality staff, inflexible budget planning tools and problems with systems or software. At a time when schools are gaining more control over their finances, the fact that the new funding arrangements might take more money away from the centre and thereby reduce the local authority's capacity to provide support to schools was felt to be particularly pertinent.
- Where three-year budget planning was already the norm, headteachers tended to think that no further support would be required to help them plan ahead effectively. Others suggested that the following would be useful: increased opportunities for administration officers and headteachers to meet to talk through the issues; budget planning tools; assistance with asset management and the flexibility to go beyond existing budgets to assist joined up working.
- Headteachers believed there was a need for the local authority to provide both challenge and support to schools and that schools with under spends as well as those with over spends should be challenged. However, some highlighted that the local authority had limited resources and limited understanding of individual school circumstances with which to fulfil this role. A few stated that the local authority was reluctant to use the power to withdraw delegated budgets from schools and there was a perception therefore that schools would be bailed out in such circumstances. There was a call from headteachers for local authorities to take a stronger stance in order to discourage financial mismanagement.
- Of those asked, the majority of headteachers thought their school's financial management would be adequate to cope under the new funding arrangements.
- The most commonly suggested forms of support the local authority could provide to schools was the implementation of an enhanced awareness raising finance training programme for all members of the school community and the production of financial models for schools.
- The majority of headteachers positively endorsed the idea of inter-school collaboration as a way to overcome a lack of financial expertise. Four main reasons were cited: existing collaboration on finance matters and other school-based issues; utilisation of the high level of expertise in some schools to help support schools with less experience or resources; the success of central administration of school finances; reduction in overlap and economies of scale. However, comments from a minority of headteachers suggested a reasoned degree of cautiousness regarding the role of inter-school collaboration.
- In the main, headteachers considered the local authority to have a role in supporting schools by making collaborations more 'formalised' and facilitating the exchange of information between schools.
- The majority of secondary school headteachers thought that the School Financial Management Standard was achievable by 2007. The main reasons cited include the belief that the majority of schools are already operating at the standard and that advice and guidance from the local authority and other organisations would ensure that schools meet the standard.

## School financial management

- Although financial expertise was cited as one of the main challenges of the new funding arrangements, over three-quarters of the headteachers in the sample were positive about their own school's current level of financial expertise, describing it as 'excellent', 'very good' or 'good'. They reasoned that this was related to the employment of skilled finance staff and also the individual skills of the headteacher although some acknowledged that such expertise was located within a single individual.

## The role of the Schools Forum

- The majority of headteachers stated that they felt either 'fully informed' or 'adequately informed' of the role and activities of the Schools Forum, with current or previous personal representation being the dominant explanation.

- There was a mixture of positive and negative views about the implications of the enhanced role of the Schools Forum. Whilst some headteachers thought that it would allow for greater transparency of local authority decisions and that decisions would be collective and representative of schools, others thought that it would result in an unrepresentative, semi-democratic decision-making body, with representatives possessing varying levels of knowledge on global school issues.
- There was an overriding concern that greater care should be placed on selecting forum representatives in terms of their calibre and expertise and the possession of a collective school perspective rather than an individual agenda.
- The majority of headteachers believed that the enhanced role of the Schools Forum would affect people's willingness to participate, with slightly more stating that it would increase participation than the number who said it would decrease participation. However, when asked specifically about governor participation, over half of those who responded believed there would be a decrease in participation owing to the added responsibility and the financial technicalities discussed in the forum.
- The predominant reason stated by those who thought people's willingness would be positively affected was that the greater decision-making powers would act as an incentive. In contrast, those who thought people's willingness would be negatively affected argued that the enhanced role would result in increased responsibility and time commitment.

## Collaborative working

- There were mixed views amongst headteachers about whether the new funding arrangements would have negative or positive implications for school partnerships with other agencies.
- Those who thought there might be a positive effect pointed to increased flexibility of funding and the ability to examine needs holistically as their main rationale, whilst those who thought there might be

a negative effect referred mainly to lack of funding or resources. Others thought that relationships were already well established and were independent of finances.

- The majority of headteachers were of the view that the new funding arrangements would either have a positive effect on collaboration between schools or have no impact. There was considered to be a greater awareness of the value of federations of schools amongst headteachers, but school participation was thought to be more dependent on the willingness of headteachers to be involved than on the financial resources available.
- A third of the headteachers interviewed proffered the view that there might be a negative impact on the local authority's ability to draw schools together as a result of the new arrangements, whilst slightly fewer thought that there would be no impact.
- Those who thought that there would be a negative impact argued that local authorities would find it very difficult to enforce working arrangements on schools and, with less funding at the centre, they would have less influence over schools. Those who felt that there would be no impact held the view that school collaboration was not dependent on local authority input and schools were already working together effectively.

## Future developments

- Almost half of the headteachers interviewed (a greater number from secondary schools) agreed with the overwhelming majority of local authority personnel and were against the proposal for academic year funding, whilst a quarter (a greater number from primary schools) were in favour. However, most of those in favour indicated that, should this involve extra work for schools, they too would be against such a move.
- The main reasons given for opposing the proposal were that schools were used to working on a financial year basis and the additional workload for schools. Headteachers also stated that it

would be too complicated to undertake both academic and financial year accounting, that the additional costs involved outweighed the benefits and that this would be contradictory to practices within other organisations and services.

- Headteachers who were in favour, on the other hand, thought academic year funding would be beneficial because the academic year constituted schools' natural planning cycle and the budget related to the needs of a cohort of pupils. They also stated that many financial decisions (staff pay rises in particular) were taken in September and that many aspects of the school, such as the School Development Plan ran from September to September. However, although largely in favour, many stated that they would reject the proposal if it involved the closure of accounts twice a year because of the extra workload.
- In common with most local authority interviewees, the majority of headteachers were in favour of the Single Standards Grant as this would free schools to make their own spending decisions and would be a simpler system, making it easier to track monies received. However, they added the provisos that there was clarity about the purpose of the money and that the overall level of funding would not be reduced.
- When asked for any further comments, one of the most frequently cited concerns about the new arrangements was their implementation, particularly the timeframe. There was a call for the need to think through the implications of the changes and to highlight likely problems before they arose.

## Concluding remarks

The findings presented in this report are a collation of interviewees' predictions concerning the implications of the new funding arrangements and, as such, different perspectives on a range of issues are identified. In summary, some of the areas where there was a clear majority view, compared to areas where there were more disparate views are highlighted, the latter pointing to areas which may need to be closely monitored by local authorities as the new funding arrangements come into effect.

Overall, as a result of the introduction of the new funding arrangements, a number of questions have been raised for consideration:

- How will the greater certainty of school funding promised by the new arrangements be balanced against the need to have in-built flexibility to take into account fluctuations in pupil numbers and changing school circumstances?
- To what extent can the support and challenge role of the local authorities be balanced against the increasing financial autonomy of schools?
- How important is the local authority role in sustaining the necessary level of financial expertise within schools and, if this support were in jeopardy, how can the gap be narrowed between schools whose staff feel competent and confident in their financial management abilities and those who feel they lack the required financial skills?
- How can the current climate of increasing school autonomy, together with competition between schools, be married with more collaborative working practices between schools?

# 1 Introduction

The LGA commissioned the NFER to conduct a study examining the implications of the new school funding arrangements to be introduced in 2006–2007, focusing in particular on issues for schools and how local authorities can support them. The main proposals include guaranteed multi-year budgets for schools, the introduction of a ring-fenced Dedicated Schools Grant (DSG) and the merging of all existing grants allocated to schools in the Standards Fund into one grant. Within the DfES consultation document it was suggested that the changes would help schools make more efficient use of their resources and provide better value for money, as well as emphasising the importance of strategic financial management and planning in schools.

This final report constitutes the findings from the second phase of the research in which the school perspective on the implications of the new school funding arrangements were explored. These results are intended to accompany the findings garnered from the first phase of the research, which focused on the local authority perspective in relation to the new school funding arrangements. These findings were published in an interim report in February 2006, which can be downloaded free from the NFER website.

## 1.1 Aims

The aims of the research were:

- to assist local authorities in implementing the new funding arrangements and to identify how they can be supportive to schools
- to identify the kinds of support that schools need with regard to financial and personnel management
- to examine the implications of changes to the funding arrangements for pupils, particularly those deemed vulnerable.

## 1.2 Methodology

In order to fully explore the school perspective on the new funding arrangements for schools, two methodologies were employed in the second phase of the research: a telephone survey of 50 headteachers and in-depth case-study profiles of ten schools.

Using the local authority contacts that were established in the first phase of the research, ten local authorities were approached and asked to select five schools for inclusion in the telephone survey. Local authorities, which were selected to provide a representative sample in terms of 'floor', 'ceiling' and 'middle band' authorities, were asked to select two primary schools, two secondary schools and one special school, highlighting different financial circumstances. However, due to local difficulties in obtaining the required sample, two local authorities were replaced with two others, which were as similar as possible in their characteristics and, in addition, a further two local authorities were approached to take part. The overall sample comprised 19 secondary, 21 primary and ten special schools, giving 50 schools in total. Where possible, telephone interviews were conducted with the headteacher, however, two deputy/assistant headteachers were interviewed (although one was due to become a headteacher in January 2006). For the purposes of reporting ease, interviewees are referred to collectively as 'headteachers'.

Following completion of the telephone survey, ten schools (five primary and five secondary schools) were selected for further, in-depth profiling through a case-study visit. Schools were selected for case-study visits by taking account of school specific factors, including, for example, the local authority area and differing financial circumstances. Each case-study visit comprised up to five face-to-face interviews with key personnel associated with school finance, thus ensuring a range and depth of view was collected. In total, 35 interviews were conducted in the ten schools: ten with headteachers; seven with bursars/finance officers/administration officers; four with school

managers; nine with governors and five with link advisors.

### **1.3 The structure of the report**

The results from both the telephone interviews with headteachers and the case-study visits to schools are presented in this final report. The school case studies are presented separately in the final chapter. The structure of the report mirrors closely the sections that were covered in the interviews with headteachers:

- implications of the new funding arrangements for schools
- local authority support for schools

- school financial management
- the role of the Schools Forum
- collaborative working
- future developments
- school case studies.

This is followed by the conclusion.

Before launching into the main body of the report, it is important to emphasise that the findings are based on interviewees' predictions about the implications of the new funding arrangements and that their actual impact has yet to be measured.

## 2 Implications of the new arrangements for schools

This section of the report describes headteachers' perceptions of the implications of the new funding arrangements for schools. They were asked to consider the most important aspects of the new arrangements, and their advantages and challenges for schools. They were also asked about the implications of specific elements of the new arrangements, implications for particular schools, how the new arrangements might affect the local authority's ability to target deprivation and, lastly, implications for the pupils.

### 2.1 Most important aspects for schools

Overwhelmingly, greater stability, brought about primarily by multi-year budgets, was identified by headteachers as the most important aspect of the new funding arrangements. This was cited by almost two-thirds of those interviewed. Multi-year budgets were valued for aiding long-term planning and predictability, and for providing a clear indication of budgets over time. In providing the opportunity to plan with certainty beyond the next 12 months, headteachers would enjoy a greater awareness of their financial position and they described the multi-year budgets as a 'terrific aid' to their budget planning process. Conversely, a few headteachers expressed concern that the historical baseline used to fund their schools was unfair and that the effects of this would be perpetuated by multi-year budgets.

Another element of the new arrangements deemed to be particularly important was the combining of the Standards Fund grants into one School Development Grant. This aspect was identified by seven interviewees. Headteachers favoured the flexibility of being able to allocate funds to their own priorities more easily and also appreciated the associated reduction in funding streams. However, two interviewees saw this arrangement as particularly important due to concerns that combining the grants may actually hide reductions in funding.

Four headteachers saw all the elements of the new arrangements as being of equal importance for providing 'a more strategic and pertinent vision' of school funding

(secondary headteacher). Other important aspects of the new arrangements included: concerns about the DSG (see section 2.4.2); the adaptation to the pace of change of funding arrangements required by schools; a reduction of conflict with the local authority; greater transparency and the maintenance of the Minimum Funding Guarantee (MFG).

### 2.2 Main advantages for schools

The main advantages for schools, as highlighted by interviewees, centred on three main aspects: stability, flexibility and transparency.

When asked what they considered to be the main advantages for schools as a result of the new arrangements, the overarching view, expressed by over three-quarters of the headteachers interviewed, was that the new arrangements provided greater stability and longer-term planning certainty for schools. This was largely due to the introduction of multi-year budgets. Indeed, one interviewee believed that he was experiencing the 'biggest period of financial stability' that he'd seen in ten years (secondary headteacher). The second most frequently identified advantage was the ring-fenced DSG. Headteachers referred to the DSG as 'a nicely protected budget' that the local authority couldn't 'dock' or 'topslice' (primary headteacher). The DSG was also valued for awarding schools greater flexibility over funding decisions, greater independence from the local authority and for raising schools' levels of accountability: 'Missing out the middle man is always a good thing' (primary headteacher). Remaining advantages included merging the Standards Fund grants, greater transparency and the enhanced powers of the Schools Forum. Two headteachers failed to recognise any advantages of the new arrangements for schools, claiming that they would not make the funding situation any easier.

In the light of the above findings, it is unsurprising that, when asked, the overwhelming majority of headteachers agreed with the local authority representatives that *stability* was one of the main advantages of the new

arrangements. Only four headteachers disagreed. Those who agreed commented that greater stability came as a result of advanced warning of budgets and the assurance of guaranteed funding over a longer period of time. This improved levels of predictability and flexibility and equipped headteachers with the knowledge to plan strategically and to work effectively towards future changes or challenges, such as changes in demographics. The arrangements, specifically the multi-year budgets, also provided headteachers with the stability to implement longer-term planning for staffing (schools' biggest expenditure). Those who disagreed argued that both stability and flexibility in budgets cannot be achieved and that there would still be year-on-year changes to the budget, for example, as a result of government intervention. Furthermore, stability of funding would depend on the vagaries of pupil numbers, movement and the demography of an area: 'I feel more secure rather than being absolutely certain it will be stable. I don't see how it can be if your roll goes up and down year-on-year' (primary headteacher).

Almost three-quarters of the sample, when asked, agreed with local authority personnel that the new arrangements would provide greater *transparency* for schools. Only nine headteachers disagreed. Those who agreed commented that knowing the sources of funding and allocation for every school led to a greater insight into financial arrangements and encouraged fairness in budget allocations. Headteachers also referred to the new arrangements as maintaining or enhancing their authority's continued efforts to improve transparency. The increased power of the Schools Forum was also seen to enhance transparency as this would ensure that government information remains readily available in the public domain. Those who disagreed with the suggestion that the new arrangements were promoting greater transparency for schools commented that having the School Development Grant and a separate School Standards Grant led to confusion about 'what is where' and failed to streamline funding (primary headteacher). Two headteachers argued that transparency is never achieved in their authority and this situation was unlikely to improve under the new arrangements. One headteacher from a special school was particularly concerned about transparency and clarity over SEN funding.

When asked to consider *flexibility*, two-thirds of those who responded agreed with local authority personnel that funding would be able to be used more flexibly,

whilst the remaining third disagreed. Those who agreed commented that the new arrangements allowed better utilisation of funds to focus on school priorities and that school-based decisions were easier to make under the new arrangements. This was enhanced by the new decision-making powers awarded to the Schools Forum (see section 5.2 for further discussion). However, some headteachers felt that primary headteachers may still require high levels of local authority support and would not welcome the opportunity for enhanced flexibility. Others were apprehensive of the inevitable increase in accountability and monitoring requirements. The majority of those who disagreed that the new arrangements would provide greater flexibility attributed this to reduced levels of funding in the local authority and argued that, with tight local formulas and limited headroom in their own budgets, they have little with which to be flexible.

## 2.3 Main challenges for schools

Just under a fifth of the headteachers interviewed, from a range of schools, felt that there were no new challenges associated with the change to the funding arrangements. This was largely because they felt that the changes were not 'revolutionary' (primary headteacher), because they 'made sense' (secondary headteacher) or because their prevailing challenges remained unchanged.

However, four-fifths of the headteachers interviewed identified issues concerning the new arrangements and four main overall challenges emerged:

- long-term planning and financial expertise
- fluctuating rolls
- local authority capacity
- recruitment onto the Schools Forum.

### 2.3.1 Long-term planning and financial expertise

The most frequently proffered challenge (identified by one-fifth of the sample) was the requirement for effective long-term planning and financial expertise: 'Now that long-term planning is possible, there is no excuse for getting it wrong' (special school

headteacher). However, when specifically asked, over half of the headteachers endorsed the local authority view that financial expertise in schools could be problematic and expressed particular concern for those in the primary sector. Some interviewees felt apprehensive about the requisite for clear strategic plans and the associated levels of accountability. The level of financial expertise within schools to deal with these requirements was questioned by headteachers, who envisaged steep learning curves, not only for themselves, but for their financial administrator and the school leadership team. Six primary headteachers felt dependent on the local authority for guidance and support in enabling them to adequately manage their finances and feared that, should this be taken away, they would struggle. Other headteachers pointed to the need for initial and ongoing training and for sufficient manpower at local authority level in order to maintain this support. It was noted that the success of school financial management was heavily rooted in support from qualified and competent finance staff and headteachers reasoned that such staff are better placed to deal with some elements of their budgets, such as buildings and health and safety, than schools themselves: 'where you have got people of less ability, less knowledge and expertise' (primary headteacher). As funding was generally perceived to have become 'very complex' and 'highly skilled' (primary headteacher), it was noted, in both primary and secondary phases, that successful management was too much for headteachers to manage single-handed. Furthermore, applicants for financial posts in schools were reported to lack the degree of financial expertise required, thus exacerbating difficulties experienced by some schools.

Alongside primary schools, it was also noted that smaller schools may suffer from a lack of financial expertise as most do not have, or cannot afford, specialist staff. Headteachers confessed that finance is often an area of weakness when coming into post and acknowledged that staff in schools do not have the financial acumen of local authority staff. As teachers, they had very little prior financial experience and received minimal training. Other endorsements were built on the argument that there is a lack of dedicated time for schools to manage their finances and a lack of confidence amongst staff, given greater accountability and heightened requirements for accuracy as budgets get tighter.

Those who disagreed that a lack of financial expertise would be a challenge for schools (one-third of the sample) were largely from the secondary and special school sector. In explaining their view, they pointed to school-based expertise and well trained finance managers, to their ability to buy in support if required and to sufficient levels of support from the local authority. They added that a greater level of central monitoring and high quality software for financial management had enabled them to cope with financial management demands. It was also suggested that it is timely for schools to be encouraged to become better financial managers and that many of them want to financially manage their own schools, with the local authority offering occasional support. Two headteachers suggested that the level of local authority support for finance was 'overrated' as their authority struggled to recruit quality personnel and they lacked an awareness of how the budgets worked within schools. Lastly, a number of interviewees felt that the new arrangements presented no more of a challenge than that faced previously, that school-based analysis is actually sharper than that provided by the authority and that adequate financial management was more an issue of time than expertise. Overall this highlights the need to narrow the gap between those schools whose staff feel competent and confident in their own financial management expertise and those whose staff feel that they lack the necessary skills.

### **2.3.2 Fluctuating rolls**

In line with local authority staff, three-quarters of the headteachers interviewed endorsed the view that fluctuating rolls would be particularly challenging under the new arrangements. This was largely because the new funding arrangements were perceived to be unable to respond quickly enough to changes in pupil numbers. Interviewees felt that, as funding levels are likely to be stable for two years, fluctuations in pupil numbers could cause some serious financial problems, particularly for small schools lacking in financial expertise. It was also recognised that fluctuations were often unexpected and difficult to pre-empt. Headteachers called for improvements to centralised planning to tackle the problem and for enhanced support or contingency funds from the local authority.

Those who disagreed that fluctuating rolls would be particularly challenging (a quarter of the sample) largely stated that fluctuating rolls were a long-standing



problem and not a result of the funding arrangements. Other headteachers pointed to the multi-year budgets in their argument, explaining that these would allow schools to better plan for and accommodate fluctuations to their roll. One headteacher suggested that the Schools Forum would make local decisions over funding allocations that would avoid any potential problems as a result of pupil fluctuations. In addition, as special schools are funded by pupil need and costed on planned places, their headteachers suggested that fluctuating rolls would have less impact on them than on their mainstream counterparts.

### **2.3.3 Local authority capacity**

The arrangements surrounding the DSG were also a cause for concern as headteachers reasoned that the devolution of funds direct to schools would limit the local authority's ability and incentive to top up schools' budgets and to assist schools in financially difficult circumstances. One primary headteacher felt that, however worthy a school's case may be, there would be 'a greater reluctance, if any desire at all, to put extra funding over and above what is directed from central Government'. Other headteachers pointed to reduced funding at local authority level as being particularly challenging for schools as this could curtail the local authority's ability to provide services free of charge and, as highlighted above, would reduce the local authorities' ability to help schools deal with financial difficulties.

### **2.3.4 Recruitment onto the Schools Forum**

Whilst local authority interviewees suggested that recruitment onto the Schools Forum may be a particular challenge for schools, none of the headteachers identified this as a particular challenge. When asked whether they agreed with this view, about two-fifths of the headteachers, largely from five particular local authorities, agreed and a similar number, mainly from three different authorities, disagreed. Whether recruitment onto the forum will be a challenge for schools appears to be local authority specific and dependent on the operation of the forum (see section 5.2).

### **2.3.5 Overcoming challenges**

Headteachers were asked to consider ways of overcoming the challenges associated with the new

funding arrangements. In order of frequency, the following suggestions were recommended.

- Additional financial training for headteachers, bursars and governing bodies to specifically reduce the problem of a lack of financial expertise (see section 4.2).
- Local authority support and monitoring, for example, a more pro active approach to budget monitoring, greater scrutiny of schools and closer involvement of local authority budget officers in schools (see section 3.2).
- Enhanced formula flexibility or contingency funds to cushion the effects of fluctuating rolls.
- Changes to the Schools Forum, for example, targeted training for members and clear options from the local authority to aid decision-making.
- Networking schools as a potential tool for addressing a lack of financial expertise and knowledge by providing opportunities for sharing good practice or for sharing a peripatetic bursar (see section 6.3).
- Schools buying in financial services or bursars and thereby bringing in 'a wealth of expertise' to schools. One headteacher called for funding to facilitate these appointments.
- Two pupil counts to control the effects of fluctuating rolls.

## **2.4 Implications for specific aspects of the new arrangements**

Headteachers were asked what they considered to be the implications for specific aspects of the new arrangements, namely, multi-year budgets, the ring-fenced DSG and combining of Standards Fund grants into one School Development Grant.

### **2.4.1 Multi-year budgets**

Multi-year budgets were identified as the most important aspect of the new funding arrangements for schools. The overarching view, expressed by over two-

thirds of headteachers, was that they awarded schools stability and greater certainty, and therefore more effective resource planning. They also thought that three-year budgets would simplify the system, make it more realistic and provide greater transparency. It was also suggested that multi-year budgets would have a particularly powerful impact on schools with a stable roll.

In contrast, however, some interviewees stated that having multi-year budgets would not provide greater stability, largely because they considered their benefits to be 'hugely overrated' and because the variability in pupil numbers would limit budget predictions. Again, it was felt that the budgets would be subject to 'fine-tuning' year-on-year and that schools would still be required to adapt their budgets for government initiatives and policies. Concern was expressed that the new arrangements would inhibit quick responses to any such changes. Two headteachers felt that the extent to which multi-year budgets would increase schools' stability was dependent on several conditions: fairness of the initial and subsequent yearly funding; schools' ability to plan ahead effectively and the support and assistance available from the local authority. Concern was also expressed over the historical baseline on which the multi-year budgets were calculated and assurance was sought that funding would reflect changing need.

#### **2.4.2 The ring-fenced DSG**

Over half of the headteachers interviewed supported the introduction of the DSG, for two main reasons. Primarily, they valued the assurance of guaranteed funds coming directly to school since they could not be transferred elsewhere or top-sliced by the local authority. Interviewees stated that, under the DSG, local authority 'interference' with budgets would be more transparent or identifiable. Headteachers also pointed to the enhanced control and flexibility that the DSG awarded schools over their budget expenditure and reasoned that it was more advantageous for decision-making to lie with the school rather than the local authority. The simplification of budgets was also perceived to be particularly beneficial for schools. Interviewees valued having 'all of their funds in one pot' as opposed to receiving funding in 'drips and drabs' (special school headteacher). Increased stability and reduced workload were also noted as positive impacts of the DSG.

Eight headteachers expressed concern over the DSG and were primarily apprehensive about the potential reduction of local authority services. Full passporting to schools, coupled with the reduction in budgets for a number of local authorities, caused some concern amongst headteachers that the authority would struggle to survive. They thought that schools would be required to buy back services from the authority that were previously provided free of charge, some of which they would struggle to afford. Headteachers also raised the issue of the lack of council tax money being spent on education as a result of the DSG. It was predicted that, as schools' budgets are centrally delegated, there would be less willingness to top them up with council tax money and, as such, schools would lose out. In addition, there was some apprehension that, because the DSG allocation is based on historical factors, it may fail to reflect current or future situations.

Eight headteachers also felt there would be no direct impact on their school as a result of the DSG. By way of reasoning they stated that the amount of funding they receive will effectively stay the same, that money is already devolved to the school and that the money received is already targeted to school priorities.

#### **2.4.3 Combining the Standards Fund grants into one School Development Grant**

Two-thirds of the headteachers interviewed felt that the implications of combining the Standards Fund grants into one School Development Grant were positive, although just under one-fifth (the majority from primary and special schools) expressed some concern about this new arrangement. Three headteachers felt that there would be no impact of the new School Development Grant, noting that they already treated the standards grant as one pot and had always had flexibility to use the funding as they wished.

Those who advocated combining the Standards Fund into one School Development Grant gave two main reasons. First, the clarification of funding streams due to the receipt of one pot of money and, second, the freedom for schools to allocate funds to their identified areas of need. Receiving fewer funding streams was a welcome change for schools who struggled to account for numerous specific budgets allocated throughout the year. It was predicted that it would be easier to administer and understand than under previous

arrangements. The freedom to allocate funds to identified priorities within individual schools and the ability to respond flexibly to need were hailed as being particularly beneficial: 'Good schools know where to develop and should be trusted to get on with their own priorities' (special school headteacher). Three headteachers highlighted the reduced workload and bureaucracy of the new arrangements as they required minimal time and cost in tracking and accounting for a variety of funding streams. Combining the Standards Fund grants was also thought to have positive implications for strategic visions, predictability, and long-term planning.

Despite these positive implications, concerns were also raised by interviewees. Two main negative implications were identified: a lack of clarity about what the money is intended for and a possible reduction in funding as a result of combining the grants.

Local authority interviewees predicted that, as long as schools were aware of what was in the grant, they would welcome the move. However, in some authorities, headteachers were confused as individual amounts in the budget were not identified. Since they are held accountable for spending money in particular areas, they sought greater clarity over where the funds were designated, reporting the danger that headteachers may lose sight of funds and their purpose. Concern was also expressed that, in some schools, if the money is not ring-fenced, then intentions will be lost in trying to maintain a reasonable pupil-teacher ratio. To amend this, they called for expectations to be clearly outlined.

Concern about a loss of funding seemed largely restricted to one authority, but was reiterated by individuals from different authorities. They were concerned that the new arrangements hid a reduction in funding and stated that their previous experience of combining grants had resulted in an overall loss, confusion over allocations and difficulty sustaining some initiatives, such as Planning Preparation and Assessment (PPA) time. Concern was also raised over a lack of clarity of the monitoring arrangements and requirements.

## 2.5 Implications for particular schools

All but five headteachers believed that schools would be differentially affected by the new arrangements. Five main types of schools were identified as being particularly affected:

- schools lacking in financial expertise or reluctant to self-manage
- those with fluctuating rolls
- schools with deficit budgets
- small schools, particularly primary schools
- schools in deprived areas.

Over three-quarters of the headteachers interviewed agreed with local authority interviewees that *schools lacking in financial expertise* or those reluctant to self-manage were likely to be particularly affected by the new arrangements. The remaining interviewees, less than a quarter, disagreed. Those in agreement referred to a lack of staff resources to deal with the new arrangements, particularly given greater school accountability and flexibility, and that, as they were already less well managed financially, these schools were more likely to experience financial difficulties. They felt that a lack of understanding of the new arrangements would lead to schools being hesitant to take on the responsibility and this would further exacerbate the situation.

Two-thirds of the headteachers interviewed agreed with the local authority view that schools with *fluctuating rolls* may be affected more than other schools. Those in agreement stated that schools' ability to compensate for fluctuating numbers would be very much restricted and schools would suffer because they would not receive funding quickly enough when rolls rose. Headteachers called for a more flexible approach that would adapt funding allocations according to pupil numbers more regularly. It was also reported that schools with falling rolls struggle to retain their staff and this makes it difficult to meet the demands of the curriculum. Furthermore, interviewees were apprehensive that the local authority would no longer have contingency funds to subsidise schools with free places or to deal with large influxes of pupils. Ten headteachers disagreed,

stating that fluctuations could be planned for with three-year budgets in place, that there are mechanisms that can be put in place to deal with these effects and that, under the new formula, schools with fluctuating rolls could actually be advantaged.

The overwhelming majority of headteachers who commented agreed that *schools with deficit budgets* would be more likely to be affected by the new arrangements than other schools, and only four disagreed. It was thought that these schools already struggled to function on the funding allocated. Those in agreement stated that inadequate financial management would be exacerbated by the new arrangements, that these schools needed more support from the local authority and that there was no longer any contingency in the authority to deal with the problems resulting from financial mismanagement. It was also mooted that the new arrangements would fail to help schools move out of a deficit situation as, although schools may balance their budget, they would be unable to pay off any deficit. Furthermore, it was thought that sudden income losses due to cuts in the Standards Fund and successive underfunding not addressed by the new arrangements meant that some schools could not function on their current allocation and would continue to struggle to pay back any deficit.

Just under one-third of the headteachers suggested that *small schools*, particularly small primary schools, may be negatively affected by the new arrangements and that they would disproportionately feel the pressure of further delegation. The move to more direct funding based on pupil numbers and the diminished capacity for compensatory grants or elements in formulae to protect small schools were seen to question their viability. Some headteachers suggested that such schools also lacked the personnel, time and experience to deal with finances as typically only admin staff were non class-based. Others felt that small schools already struggled financially due to high per-pupil costs.

When asked to consider the local authority suggestion that *schools in deprived areas* may be differentially affected by the new arrangements, about half of the headteachers disagreed and about a third agreed, with the remainder stating that it would depend on a number of factors. Those who disagreed largely argued that schools with high levels of deprivation are funded disproportionately to other schools, that they benefit from a wide range of well funded initiatives and that

schools not in deprived areas suffer financially at their expense due to the diversion of local authority funds to target deprivation. They also referred to deprivation factors in local formulae which account for high deprivation. Those who agreed explained that areas of high social need are vulnerable to change, yet the multi-year budgets cannot accommodate this. They also talked about difficulties for schools with variations in deprivation across their catchment areas and the requirement for extra support and resources in these schools. Other headteachers suggested that the effect of the new arrangements on schools with high deprivation depended on how local formulae or indicators are utilised (e.g. whether there is a deprivation element or whether funding is based purely on pupil counts) and whether these schools have astute levels of financial management.

## 2.6 The local authority's ability to target areas of deprivation

The 50 headteachers in the sample were asked whether they thought that the new arrangements would affect their local authority's ability to target areas of deprivation or disadvantage. Mixed views were expressed, with just over half of those who commented believing that they thought it would be affected and just under half believing that it would not.

Where interviewees believed that targeting would be affected, they largely attributed this to a reduction in central funds in local authority budgets. As headroom money would be reduced in many local authorities, it was thought that they would have little flexibility and would be less able to target areas of deprivation. It was also thought that small local authorities in particular would suffer. The increased powers of the Schools Forum were also suggested to impact on the ability to target deprivation as it would be less likely that authorities would retain budget reserves and where they do, some forums may make it difficult for the local authority to lead on targeting disadvantage. Headteachers also suggested that the delegation of funds directly to schools would impact on the ability to target disadvantage as local authorities have less discretion over the allocation of funds. Interestingly, two headteachers from different authorities stated that their local authority was not very good at targeting areas of need at present. They thought that money would be

directly available to schools under the new arrangements and deprivation issues would be tackled by the schools themselves. In this way, they suggested that power would be removed from the local authority.

Those who thought that the local authority's ability to target areas of deprivation would not be affected grounded their opinion in the fact that disadvantaged areas are already targeted through local funding formulae. There was also a feeling amongst schools in more affluent areas that schools in deprived areas are already funded disproportionately well and that much of the targeted money is for those with high numbers of free school meals. Six headteachers suggested that, where local formulae already address the problem of deprivation, local authorities could continue to target deprivation and that the new arrangements would not affect this. Headteachers believed that local authorities would continue to prioritise deprivation even in the light of reduced central funding.

## 2.7 Implications for particular pupils

Over one-third of the headteachers thought that there would be no implications for particular pupils as a result of the new arrangements. This was largely for two main reasons. First, they referred to levels of protection for SEN and vulnerable children. They predicted that pupils with the severest needs would still retain statements and that individual schools would ensure that their vulnerable pupils are not disadvantaged. Furthermore, the required resources could be ensured over a multi-year period. Second, headteachers suggested that multi-year budgets would lead to improved planning and stability in budgets and therefore enable schools to address the needs of all pupils more consistently.

In contrast, the remaining headteachers identified a range of pupils as likely to be vulnerable under the new arrangements. Overwhelmingly, headteachers expressed concern about pupils with SEN. Furthermore, half of all the headteachers interviewed endorsed this local authority view. Arguments were based mainly on the premise that the limit on central spend, coupled with reduced funding in the local authority, would result in less money at the centre that would usually be allocated for SEN. The increased delegation of funding for SEN into schools' own budgets caused concern for some headteachers who reported that they would struggle to

meet full statements and that individuals may not get the full support they require. Concern was also expressed that funding would not follow pupils and, as such, schools might be reluctant to enrol new pupils with SEN and additional needs once budgets are set.

Those who disagreed that SEN pupils would be negatively affected stated that multi-year budgets would make financial planning easier, provide greater flexibility and enable schools to deal with rising and falling SEN and to plan provision over a multi-year period. Interviewees also suggested that SEN pupils are protected by the new arrangements due to formulae provision and levels of accountability for SEN expenditure. These headteachers argued that schools already receive adequate funding for SEN, that this funding is benchmarked and that additional money is received through the statementing process. Finally, one interviewee explained that addressing the needs of pupils with SEN, or complex needs, has always been a problem and that the new arrangements would not be likely to affect this.

To a lesser extent, other groups of pupils were also identified by interviewees as being particularly affected by the new funding arrangements. Four interviewees suggested that pupils from deprived areas would be potentially at risk, particularly if local authorities struggle to target deprivation. Excluded or hard-to-place pupils were also identified as being at risk as they are more likely to move between schools. As fluctuating rolls can leave schools underfunded and, as money will be slower to follow pupils, it was thought that schools would struggle to fully accommodate their requirement for support. Ethnic minority pupils, underachievers, and pupils 'in the middle' were also identified.

## Key points

- Greater stability, brought about primarily by multi-year budgets, was identified as the most important aspect and the main advantage of the new funding arrangements for schools. Other advantages included the protection awarded by the DSG. Headteachers agreed with local authority staff that the arrangements also improved transparency, and to a lesser extent, enhanced levels of flexibility.
- The most frequently cited challenges for schools were the requirement for financial expertise and fluctuating rolls. Additional financial training, further

local support and enhanced formula flexibility were suggested as a means of addressing these challenges.

- Over half of the headteachers interviewed supported the introduction of the DSG as it assured guaranteed funding that could not be top-sliced by the local authority and allowed schools to target their identified priorities more easily. However, concern was expressed that the introduction of the DSG may lead to a reduction in local authority services.
- Combining Standards Fund grants into one School Development Grant was welcomed by headteachers for providing greater clarity and freedom to allocate funds to need. However, the possibility that funds would be lost as a result and a lack of clarity about

what was included in the grant have led to some apprehension.

- There was a concern that schools with fluctuating rolls, small schools and schools lacking in financial expertise may be negatively affected by the new arrangements. Pupils with SEN were identified as likely to be affected more than any other group of pupils.
- Headteachers expressed mixed views as to whether the new arrangements would affect the local authority's ability to target areas of deprivation. It was suggested that a lack of central funds may inhibit this ability, yet it was also noted that funding formulae typically provided adequate protection for schools in deprived areas.

### 3 Local authority support for schools

In this section of the report the role of the local authority in supporting schools with their financial management is examined. Headteachers were asked about the following areas:

- the support they currently received from their local authority and how helpful this was
- further support that would be useful given the introduction of the new funding arrangements and any plans for their local authority to provide this
- the role of challenge versus support for schools
- whether they thought the new funding arrangements were likely to enhance or weaken the role of the local authority and the implications of this for schools.

#### 3.1 Current local authority support for schools

Headteachers identified the following main forms of support as being currently provided by local authorities (the number of headteachers identifying each is included in brackets):

- training (29)
- audits/review visits (26)
- telephone support and advice (23)
- meetings for administration officers/bursars (17)
- budget construction and budget planning tools (13)
- updates and information (11)
- software packages (11).

In addition, eight headteachers referred to the extra support that was available for schools in financial difficulties and seven to the budget monitoring role of

the local authority. Other forms of support, each noted by a few headteachers, included: day-to-day management of finance systems; consultation on changes to the local formula; recruitment and buying in of administrative support and guidance on financial regulations.

Almost half of the headteachers interviewed, as well as identifying the types of support available, were keen to note that they had to pay for services from the local authority, whilst one noted that they bought in private financial services. Many talked about service level agreements and the different levels of service which they could buy into, for example, buying into the maximum level of support where the school has a bursar with little educational experience.

Headteachers were also asked how helpful they found the support they currently received from the local authority. They were very positive overall. Almost three-quarters of the headteachers interviewed, from all sectors, made only positive comments. Nine headteachers had mixed views about the support they received but only four headteachers (including three primary headteachers) made solely negative comments.

Of those who made positive comments, many talked about the good standard or quality of financial support and professional service that they currently received from the local authority. They stated that they found it very helpful and very responsive to their needs. They also referred to the good relationship they had developed with local authority finance staff, some noting that they are approachable and positive, that they listen to school staff and worked through finance issues together. Their openness and transparency were noted as key characteristics and finance staff were, in some instances, reported to be generous with their time and to respond immediately to needs. Having a local team that is knowledgeable about the school was considered important. One headteacher stated that local authority staff 'understand how schools work and have a feel for education, know the issues for schools and are in tune with rhythm for schools'. Other positive comments centred around the reassurance of

knowing that someone from outside the school was available for advice, the quality of training provided, the efficient and quick response to problems or queries and the process of consultation providing a forum for issues to be discussed and views to be aired. The fact that support was tailored to the needs of the school was also noted by a few.

Negative comments mainly focused on four areas: local authority personnel; software/systems; budget planning tools and headteacher training. Most interviewees who were negative raised issues regarding local authority personnel. They referred to lack of staff resources within the local authority and identified the poor quality of staff as an issue. Provision of insufficient staff was reported to lead to a lack of capacity to provide schools with the level of support required and a slow response to queries or problems. In these circumstances, interviewees reported that most of the support went to schools in financial difficulties. It was noted that, once the new arrangements were introduced, the local authority would have even less capacity to support schools. At a time when schools were expected to take more control over their own finances, for some headteachers, this was a significant issue. Those who talked about a poor quality service referred to poorly trained staff, provision of poor or inconsistent financial advice and dependency on individual expertise. One primary headteacher commented that she would be prepared to pay more for a better quality service from external providers.

A small number of headteachers reported problems with software or finance systems, some stating that back-up systems were difficult to access, and a few thought that the budget planning tools the local authority provided restricted flexibility and were ineffective for planning purposes because they were unable to predict accurately. The lack of training for headteachers and inadequate budget monitoring were also raised by a few.

Interviewee comments on the support schools currently receive from their local authorities suggest that they expect a good quality service and that this is, on the whole, rated very highly. The issues they raised concerning the support they received centred mainly on capacity issues which are largely dependent on the amount of funding local authorities receive.

### 3.2 Helping schools to plan ahead effectively

A third of the sample (most from secondary schools) stated that they thought that no further support from the local authority would be necessary to help them plan ahead effectively. This was usually where three-year budget planning was already the norm, in large schools, which were reported to be in a good budgetary position, and where schools already had access to good financial expertise. Several headteachers thought that the local authority already had the necessary systems in place to support schools and, therefore, they would ask for further support if it was required.

The remaining headteachers, however, identified a number of ways in which the local authority could provide further support to help them to plan ahead effectively. The most frequently cited was assistance with budget construction and forward planning. This included the identification of costs and needs, and working with a fictional budget and different scenarios, as well as the provision of budget planning tools. In addition, interviewees called for models of good practice. One secondary headteacher stated that he saw this as the key role for local authorities in the future, as 'repositories of good practice'. Requests were also made for the local authority to provide more opportunities for administration officers and headteachers to meet to discuss the implications of the new funding arrangements. A few others wanted more specific input on asset management, the flexibility to go beyond existing budgets (e.g. with extended schools) and more joined up thinking from the local authority as they thought this would make school finance more effective.

One secondary headteacher called for a more planned approach and greater communication about the new arrangements from the local authority at all levels, i.e. for headteachers, bursars and governors, whilst a primary headteacher argued that the focus of future support needed to be on addressing needs and achieving best value, rather than more systems.

At this point, three headteachers questioned whether their local authority would be able to provide any more support within their existing resources held centrally within the local authority. In addition, one headteacher stated that primary schools had 'enjoyed the cushion' of having local authority support available. She thought



that there would be a reduced need for support from the local authority and that primary schools would have to 'grow up'.

The majority of headteachers were unaware of any local authority plans for introducing further support as a result of the new arrangements, although, in two authorities, headteachers reported that there were plans for local authority training or awareness raising sessions for headteachers and finance officers, and another authority was reported to be working on a budgetary planning framework with headteachers.

### 3.3 The role of challenge and support

When headteachers were asked about the local authority roles of challenge and support, three main points were raised: the need for both challenge and support; the need for the local authority to challenge schools with large balances and the need for the local authority to challenge schools in deficit.

The most frequently cited comment, raised by almost half of the sample, was the need for both challenge and support. These headteachers thought that support and challenge were compatible and complemented each other. It was reported that, whilst some schools, particularly those which are profligate, need to be challenged, others, such as those in challenging circumstances, required a more supportive approach. Similarities were drawn with the school improvement arena, where it was reported that challenge and support sat side by side productively. It was noted that the most important aspect was the development of a good working relationship, incorporating both support and challenge, between the local authority and the school. In contrast, three headteachers thought that the challenge role of the local authority was more valuable than the support role, whilst a further three emphasised that they thought support was particularly important.

A third of the headteachers interviewed stated that they thought schools with large balances needed to be monitored and challenged by the local authority, particularly if no rationale for an underspend was provided. For some, this was felt to be a moral issue and they suggested that the local authority claw back the excess money. However, whilst some underspends were thought to be due to cautiousness or inaccurate budget

planning, others were thought to be due to circumstances beyond a school's control. It was reported that crude judgements were often made about schools with excessive balances. The point was made by one headteacher that, if schools were expected to spend their money, they could not be expected to plan for the future. This headteacher thought that schools should be challenged on the quality of their budget planning rather than the actual outcome. An inconsistent approach to challenging underspends was also reported, where, in one instance, a school with a £12,000 contingency had been challenged when other schools in the same authority were holding £100,000.

A quarter of the headteachers interviewed stated that schools in deficit should be challenged by the local authority and that these schools should fund the extra support they required. Without this, the situation was felt to create resentment in those schools that successfully manage their finances. Some headteachers felt very strongly that the local authority practice of bailing out schools and writing their debts off was 'outrageous'. These headteachers questioned the advice such schools had received, some suggesting that the local authority should step in earlier in these cases. There was resentment that, in such circumstances, pupils at other schools were disadvantaged when these schools had managed their budget properly. The strong sense of injustice created by the inconsistent treatment of schools by local authorities in such circumstances resounded clearly in interviewees' comments. Two headteachers added that local authorities were often reluctant to use their powers to withdraw a school's delegated budget and that they needed to take a stronger line to discourage others. It was thought that schools in deficit should instigate an action plan or recovery plan with the assistance of the local authority.

The view expressed by some headteachers was that schools should be held to account for the money they spend because they receive public funds. One interviewee noted that they had not been held to account in the past and, as a result, schools had been able to be 'creative' in their accounting. The challenge role was therefore considered important, particularly where there was a lack of good financial management or a lack of financial expertise, in which case a certain level of monitoring and scrutiny was considered essential. However, alongside this, some headteachers felt that any challenge needed to be directed in a

supportive and constructive way. It was suggested that the role needed to be one of 'critical friend'. They stated they thought that the majority of schools were keen to balance the books and be good financial managers and that a confrontational and aggressive approach was likely to be ineffective. It was also felt that local authorities needed to be consistent in their approach to challenging schools.

A few headteachers, when asked about the challenge and support roles, stated that the local authority had limited resources and limited understanding of individual school circumstances with which to carry out their role. Local authorities were reported to be used to dealing with large mechanistic systems (unlike schools) and to dealing with financial deficits rather than offering support, and there was often no dialogue. One secondary headteacher, for example, whilst noting, like others, that he would welcome more challenge, stated that the local authority would not have the capacity to undertake this because they were too busy fulfilling their own accountabilities and, in addition, were not as experienced at school-level finances.

### **3.4 Implications of the new arrangements for the local authority support role**

Over half of the headteachers interviewed stated that they thought that the role of the local authority would be weakened as a result of the new funding arrangements, whereas less than a sixth stated that they thought the local authority role would be enhanced.

The reasons given for a *weakened* local authority role centred on two main issues: reduced local authority resources and greater school control. Headteachers thought that, with fewer resources at the centre, there would be a greater strain on support services. It was felt that limited central resources would weaken the local authority's sphere of influence and prevent it from providing support beyond knowledge and expertise to schools. Developments in the education white paper for autonomous self-governing schools were thought to reinforce this issue. Interviewees referred to funding going more directly to schools and the local authority's inability to influence amounts of money and its distribution. It was felt that schools would be expected to make their own decisions, take

responsibility for their own finances and be more accountable. With such control, they felt that the local authority role would be 'sidelined'. One special school headteacher, for example, stated that the new arrangements would take away the local authority's current flexibility and the powers they have to intervene. It was also suggested that the enhanced role of the Schools Forum (see section 5.2) may be an influential factor.

A quarter of the sample decried the potentially weakened role for the local authority, stating that schools needed the expertise, challenge and support from their local authority to help resolve financial difficulties, and that the local authority was best placed to provide this. Some feared that schools would get into difficulties without this. It was noted that, whilst schools were becoming more autonomous, the local authority was still responsible for holding them to account and their involvement afforded some protection for schools. A few headteachers talked about the role of school federations and cooperatives in addressing this issue. One special school headteacher, for example, expressed concern that more power would be given to larger schools and that smaller primary and special schools without the buying power of larger secondary schools may find themselves in difficulties unless they became part of a federation (see section 6.3). Another headteacher expressed mixed views about the potentially weakened role of the local authority, highlighting positive feelings towards increased self-management for schools but also acknowledging the role for local authorities where a school's circumstances changed.

The main reason given for an *enhanced* local authority role within the new arrangements was the focus on challenging schools. A secondary headteacher stated that, although the local authority might see their role as weakened because more money was going directly to schools, they still had 'a very important and serious role to play'. The challenge role was felt to be a necessary requirement because some schools were reported to struggle with financial problems and finance sometimes got overlooked. It was considered a significant change as schools had previously looked to local authorities to bail them out of financial difficulties. One special school headteacher thought that, if it was clear that the local authority did not have 'a pot of gold', it would make it easier for them to hold schools to account.

Some headteachers thought that whether their role was weakened or enhanced would vary between authorities and that it would depend on whether the local authority had the capacity to maintain the monitoring, challenge and support currently undertaken under the new arrangements and how sophisticated and forward thinking they were. It was noted that, where an authority was more directive in their approach to working with schools, they would no longer have the financial muscle to maintain this and would have to rethink their approach. Attracting the right local authority personnel was therefore thought to be important.

## Key points

- The most frequently identified forms of support currently provided for schools by local authorities were, in frequency order: review or audit visits; telephone advice and support; training; budget construction and planning; meetings for administration/finance officers; extra support when in difficulties; budget monitoring and software packages.
- The majority of headteachers were positive about the financial support they received from their local authority and, whilst some others had mixed views, only a few were negative about the support they received.
- The most frequent positive general comments centred around the provision of a good quality service and good relationships with local authority personnel, whilst consultation and training were identified as specific helpful aspects of the services provided by some.
- Negative comments tended to centre mainly around insufficient personnel, poor quality staff, inflexible budget planning tools and problems with systems or software. At a time when schools are gaining more control over their finances, the fact that the new funding arrangements might take more money away from the centre and thereby reduce the local authority's capacity to provide support to schools was felt to be particularly pertinent.
- Where three-year budget planning was already the norm, headteachers tended to think that no further support would be required to help them plan ahead effectively. Others suggested that the following would be useful: increased opportunities for administration officers and headteachers to meet to talk through the issues; budget planning tools; assistance with asset management and the flexibility to go beyond existing budgets to assist joined up working.
- Headteachers believed there was a need for the local authority to provide both challenge and support to schools and that schools with underspends as well as those with overspends should be challenged. However, some highlighted that the local authority had limited resources and limited understanding of individual school circumstances with which to fulfil this role. A few stated that the local authority was reluctant to use the power to withdraw delegated budgets from schools and there was a perception therefore that schools would be bailed out in such circumstances. There was a call for local authorities to take a stronger stance in order to discourage financial mismanagement.

## 4 School financial management

The following section of the report sets out the results of a series of questions relating to school financial management. Headteachers were asked to report on and consider the following areas: the current level of financial expertise within their school, suggested areas in which the local authority could provide extra support to schools in order to enhance school financial management, and the value of inter-school financial collaboration to overcome a lack of school financial expertise. Alongside these standard questions, secondary school headteachers were asked to proffer a view on whether the Government-enforced 2007 deadline for all secondary schools to be operating at the School Financial Management Standard is achievable and, if not, what can be done to assist the process.

### 4.1 The level of financial expertise within schools

When asked to describe the level of financial expertise within their school, just over three-quarters of headteachers were positive in their endorsements, considering themselves to have, overall, a good level of financial expertise. This supports the view purported by local authority interviewees who stated that the skills and capabilities in schools are satisfactory. Specifically, ten headteachers believed that current levels of financial expertise within their school was 'excellent'; nine said that it was 'very good'; and 18 said that it was 'good'. A further ten headteachers also described their level of financial expertise as 'adequate' or 'average'. Conversely, just one headteacher was negative, stating that they considered their school's financial expertise to be 'poor', whilst another headteacher was cautious in response owing to the school looking to recruit a new finance officer. It may be, however, that this overriding confidence in school financial expertise is underpinned by the expectation of, and dependency upon, support from local authorities, as indicated by interviewee comments relayed in section 3.1.

Of the majority who were positive about their school's current level of financial expertise, two main reasons were cited. The first relates to the employment of

experienced and skilled staff, such as finance officers, who have the dedicated purpose of managing school finances. The second reason concerns the personal experiences and good knowledge levels of the headteacher in relation to financial management. A number of other reasons were also cited by individuals, including the use of independent consultants to ensure the financial well-running of the school and a proactive school approach to training in order to keep staff skills current.

Just over one-fifth of the headteachers interviewed, however, also coupled their positive assessments with caveats. Some acknowledged that their schools' good level of financial expertise was predominantly the product of their financial management staff who, in some instances, was just one individual and was not school-wide. One secondary school headteacher stated that her finance officer is often at her 'wits' end' with the school's finances despite being a qualified accountant. Others (mainly primary headteachers) said that they had concerns over the skill level of the next generation of school finance personnel. Indeed, one primary school headteacher described the role of the finance secretary as a 'very skilled job now' and thus 'the training of the secretary is a key issue here'. One suggestion to overcome this was made by a primary school headteacher who thought that it would be beneficial for schools to train new finance officers alongside current finance officers to ensure that skills are disseminated and kept within schools.

Of those headteachers who considered their school's current level of financial expertise to be 'adequate' or 'average', a number of different reasons were given. Predominantly, arguments were based on the premise that, although there are experienced staff who manage the finances within the school, there still needs to be outside support and guidance to supplement this. Other reasons included the belief that it is the school that lacks understanding of finance issues as opposed to the local authority failing to support the school.

The lone headteacher who described the level of financial expertise within their school as 'poor' reasoned

it was a direct result of a lack of expertise within the school and an inability to manage the budget in terms of over and underspend. Other headteachers, however, also commented that poor financial management can be due to a local authority failure to provide quality, accurate information regarding the financial future. Again, it was suggested that the key to improving levels of financial expertise within schools may be to federate with other schools (see section 4.3 for more detail), although, a primary school headteacher stated that local authority training was the means through which financial expertise could be improved.

The majority of headteachers who were asked said that their school's financial expertise would be adequate enough to cope with the new funding arrangements and only two primary school headteachers stated that this would not be the case. Reasons included a lack of administration/bursar time to focus on the arrangements.

## 4.2 Assisting schools with financial management

Headteachers were asked to consider the types of extra support, from the local authority, that would be helpful in enhancing their schools' financial management expertise in light of the new school funding arrangements.

The most common recommendation, suggested by about a third of the headteachers interviewed, was an enhanced awareness raising training programme involving face-to-face, targeted finance training for all members of the school community (i.e. experienced and newly appointed headteachers, staff, finance personnel, governing bodies and finance committees). This is in line with the overall view of local authority interviewees who considered a financial training programme necessary. Alongside this, some headteachers recommended that the local authority enhance their guidance to schools through the production of financial models. Other headteachers suggested that it may be useful if local authorities were to work with banking institutions in order to advise schools on financial matters, whilst others called for an enhanced telephone helpline service. Finally, individual headteachers pointed to the need for greater dissemination of information from the local authority; local authority support for bursar qualifications; increased bursar time in schools; and advice on the creative use of budgets. Specifically, one

primary school headteacher showed agreement with the emergent local authority view and called for an improvement in the finance training provided to governors. This was based on personal experience that governor training had been administered by a chair of governors from a school that is in financial deficit.

Two-fifths of headteachers felt that no extra support was required from the local authority in order to enhance their schools' financial expertise; mainly because they believed that local authorities already provide adequate, non-intrusive support to assist schools with their financial management. Other headteachers stated they had confidence in the ability of existing school and local authority personnel. One special school headteacher stressed the potential for information 'overload', whilst a primary headteacher postulated that the onus should be on schools to understand the arrangements as opposed to the local authority needing to provide more support.

## 4.3 Supporting financial management through inter-school collaboration

The majority of headteachers positively endorsed inter-school collaboration to overcome a lack of financial expertise. Over four-fifths stated that it would be helpful, although, of these, one-fifth added that it would also be unlikely. Whilst, three headteachers had more mixed views, just four headteachers had a negative view of inter-school collaboration.

Headteachers who viewed inter-school collaboration as helpful proffered four main reasons. Predominantly, headteachers rationalised that collaboration would be successful because it is already happening on finance matters and other school-based issues. In addition, it was reasoned that collaboration would utilise the high levels of expertise in existence at school level in order to help support schools with less experience or resources. This was thought to be particularly pertinent for primary schools. Other headteachers argued, although to a lesser extent, that the financial management of a school is often more successful if administered centrally and that school collaboration could help reduce overlap in financial management, thus producing economies of scale. A number of individual suggestions were also proposed, namely that collaboration would allow a group of schools to share a finance officer, such as in

federating schools, and ensure the dissemination of best practice across schools. It was also thought that collaboration would increase school confidence in spending and avoid schools becoming isolated.

Some headteachers argued that collaboration is good in theory but unlikely to happen because of already existing time pressures on school staff. One primary school headteacher called for more formalised, inter-school collaboration, with the local authority building it into already existing structures. Concerns, however, were two-fold: general doubts that funding for formal collaborations would be available from the local authority and that, if funding were available, it could result in another layer of meetings and paperwork, thereby adding further pressure to school workloads. It was also reasoned that inter-school collaboration is not a 'quick-fix' in addressing a lack of school financial expertise and that, unless the collaboration is structured and formal, it may result in the 'pooling of ignorance' (special school headteacher). Finally, concern was expressed that each school's financial situation is unique and may be too disparate to enable meaningful collaborations.

The minority of headteachers who thought that inter-school collaboration would not be helpful argued that schools are historically possessive about school finances. One secondary headteacher said collaboration was part of 'received wisdom' and believed the benefits to be hugely exaggerated. He stated 'it is difficult enough to run one budget but to try to run ten together would be a nightmare'. It was also pointed out by another secondary headteacher that it may be more beneficial for schools to receive advice from an outside agency, avoiding concerns over confidentiality and competition. This suggests a reasoned degree of cautiousness from some regarding the role of inter-school collaboration and the fact that it may not always be considered to be a virtue.

Just over half of the headteachers asked about the role of the local authority in inter-school collaboration stated that the local authority could support schools by making collaboration more 'formalised' and facilitating the exchange of information between schools. Some warned, however, that the local authority would need to be careful as some schools might interpret their involvement as an opportunity to 'meddle' (secondary headteacher). Furthermore, two headteachers postulated that the local authority has a limited role, as

headteachers will only collaborate if they want to. The remaining headteachers suggested that the local authority could support inter-school collaboration by developing partnerships, for example, between primary schools and secondary schools and, where appropriate, assist in restructuring, such as the sharing of an employed bursar. They also suggested that the local authority could produce a set of guidelines and protocols outlining the means by which schools could share financial information.

#### **4.4 The School Financial Management Standard**

Analysis showed that, when the 19 secondary headteachers were asked about meeting the School Financial Management Standard by the proposed 2007 deadline, the majority thought it was achievable, thus agreeing with local authority interviewees who advocated it should be possible for the majority of schools. Only two headteachers thought it was unachievable by 2007.

For those secondary school headteachers who were confident that all schools could be realistically operating at the standard by 2007, arguments were based on two main premises: that the majority of schools are already operating at the standard and that advice and guidance from the local authority and the Audit Commission would ensure that schools meet the standard. It was also postulated that the 2007 deadline is more realistic than other proposed deadlines for which schools have to respond and that the requirements of the standard are not difficult. Some headteachers, despite being optimistic, thought that other factors would also be influential, including individual school circumstances, such as surplus or deficit budgets, how the local authority leads schools on the requirements of the standard and whether there is an awareness raising campaign. Headteachers specifically pointed to the local authority role in providing support and guidance to schools. Finally, achievability was thought to be dependent on how seriously schools prioritise the standard in the context of other initiative deadlines.

The minority of headteachers who thought the standard was not realistically achievable by 2007 argued that some schools have got very limited financial experience and the process may therefore need to be educative for some. It was also highlighted that schools are at

different starting points and that it may be harder for smaller schools to achieve the standard considering the lack of resources to aid them.

## Key points

- Although financial expertise was cited as one of the main challenges of the new funding arrangements, over three-quarters of the headteachers in the sample were positive about their own school's current level of financial expertise, describing it as 'excellent', 'very good' or 'good'. They reasoned that this was related to the employment of skilled finance staff and also the individual skills of the headteacher, although some acknowledged that such expertise was located within a single individual.
- Of those asked, the majority of headteachers thought their school's financial management would be adequate to cope under the new funding arrangements.
- The most commonly suggested forms of support the local authority could provide to schools was the implementation of an enhanced awareness raising finance training programme for all members of the school community and the production of financial models for schools.
- The majority of headteachers positively endorsed the idea of inter-school collaboration as a way to overcome a lack of financial expertise. Four main reasons were cited: existing collaboration on finance matters and other school-based issues; utilisation of the high level of expertise in some schools to help support schools with less experience or resources; the success of central administration of school finances; reduction in overlap and economies of scale. However, comments from a minority of headteachers suggested a reasoned degree of cautiousness regarding the role of inter-school collaboration.
- In the main, headteachers considered the local authority to have a role in supporting schools by making collaborations more 'formalised' and facilitating the exchange of information between schools.
- The majority of secondary school headteachers thought that the School Financial Management Standard was achievable by 2007. The main reasons cited included the belief that the majority of schools are already operating at the standard and that advice and guidance from the local authority and other organisations would ensure that schools meet the standard.

# 5 The role of the Schools Forum

Within this section of the report, the school perspective on the perceived role of the Schools Forum is presented. Headteachers were asked to consider how informed they felt about the activities and role of the Schools Forum and to give their views on the implications of the enhanced role of the forum.

## 5.1 Awareness of the Schools Forum

When headteachers were asked to consider how informed they felt about the role and activities of the Schools Forum, four-fifths felt either 'fully informed' or 'adequately informed'. In contrast, a minority said that they felt 'poorly informed' or suggested that they 'could be better informed'.

In relation to the majority of headteachers who felt either 'fully informed' or 'adequately informed', current or previous personal representation on the forum was the dominant explanation. However, a number of individual reasons were also purported, including, the receipt of minutes from meetings and a weekly circulated local authority information bulletin. Two of these headteachers indicated that they did not think further information about the role and activities of the forum was necessary as it would result in schools being 'swamped with so much paper' (primary headteacher). One secondary headteacher stated that forum information could be read in 'multi-coloured detail' making it 'very transparent, if you have got the time'. Conversely, some concern was expressed by seven headteachers regarding the competency of the Schools Forum in informing the rest of the school community. This supports the view purported by those who stated that they 'could be better informed' or felt 'poorly informed' because the forum fails to consider dissemination a priority.

## 5.2 The enhanced role of the Schools Forum

Headteachers were asked to consider what they thought the main implications of the enhanced role of the Schools Forum were and whether they thought this would have any impact on future levels of participation.

### 5.2.1 Implications of the enhanced role of the Schools Forum

In relation to the implications of the enhanced role of the Schools Forum, a range of views were expressed, thus mirroring the mixed views of local authority personnel. Two-fifths of the headteachers interviewed implied that the enhanced role of the forum would be positive, whilst just under two-fifths stated that they considered there to be negative implications. Others suggested that there would be both positive and negative implications or believed that there would be no change to the role of the forum.

Headteachers who were positive reasoned that the greater decision-making powers of the forum would allow for greater transparency in terms of local authority decision-making and would ensure the enactment of decisions. They praised the fact that decisions would be collective and take account of local knowledge which represents schools. It was also reasoned that the enhanced role would result in greater partnership working with the local authority on education issues. A few headteachers, although positive in their views, also argued that the forum must have a good cross section of representatives who are fully informed of the whole process and that decisions must be open for consultation.

The main reason offered by those who were negative was a concern that the enhanced decision-making powers would result in a flawed, semi-democratic decision-making body that fails to be representative (i.e. a small group and individuals with their own agendas). Further concern was expressed about representatives possessing varying levels of knowledge and that some individuals would be too inexperienced or have only a parochial understanding. Other interviewees pointed to the greater time commitments that the forum would now require, making it a potentially impossible role to fulfil. Furthermore, some interviewees argued that the local authority should be the decision makers, with the forum remaining a lobbying or consultative organisation, whilst one secondary headteacher



thought that the enhanced role could slow down decision-making due to increased debate.

An overriding concern emerged with regard to the recruitment of forum representatives: the need to ensure a collective school perspective and not an individual school focus or agenda, and to ensure the calibre and expertise of the representatives. One primary headteacher suggested that a job description and person specification should be drafted so that individuals are fully cognisant with the demands and expectations of the position and the personal qualities required. In addition, a secondary headteacher also urged representative selection to be more 'rigorous' and 'transparent', whilst also being set in a clear frame of accountability.

### 5.2.2 Willingness to participate in the Schools Forum

Local authority interviewees highlighted the problem of dwindling current forum participation, especially for governor representatives. Consequently, headteachers were asked to consider how they thought the enhanced role of the Schools Forum might affect people's willingness to participate. Just under three-fifths believed that people's willingness to participate would be affected, with slightly more stating that it would increase participation than the number who said it would decrease participation. One-fifth of the headteachers interviewed stated that the enhanced role would not affect people's willingness to participate. Others thought that willingness to engage would be dependent upon individual or school circumstances. However, when specifically asked whether they thought the enhanced role of the Schools Forum would affect *governor* participation in forum activities, over half of those who responded stated that they thought governor participation would decrease.

The predominant reason given by those who thought that the enhanced role of the forum would positively affect people's willingness to participate argued that the greater decision-making powers would act as an incentive. Similarly, the minority of headteachers who stated that governor participation would be positively affected by the enhanced role of the forum all argued that governors may like the added power the position would lend.

Those who stated that people's willingness to participate would be negatively affected argued that the greater powers create added responsibility, thus causing apprehension. This was felt to be particularly relevant to governors, as they may find the greater responsibility too daunting for a voluntary position. In addition, the expected increase in time commitments was cited as another possible reason for participation decrease, whilst the financial technicalities discussed in the forum were reasoned to increase governor reluctance.

The interviewees who did not expect there to be any change in the willingness to participate in the forum rationalised that representatives would decide to sit on the forum in the context of the professional responsibilities they hold. It was also reasoned that the decision to participate is not a conscious 'yes' or 'no'. Finally, in relation to current governor representation, it was purported that representation is good and would be likely to continue. This is contrary to the overarching view of local authority interviewees as stated at the start of this sub-section.

Finally, the minority of headteachers who stated that people's willingness to engage in forum activities would be dependent upon varying circumstances argued that each forum presents different circumstances, with each representative having a different situation. This issue was considered to be more pertinent for governors than for any other representative.

### Key points

- The majority of headteachers stated that they felt either 'fully informed' or 'adequately informed' of the role and activities of the Schools Forum, with current or previous personal representation being the dominant explanation.
- There was a mixture of positive and negative views about the implications of the enhanced role of the Schools Forum. Whilst some headteachers thought that it would allow for greater transparency of local authority decisions and that decisions would be collective and representative of schools, others thought that it would result in an unrepresentative, semi-democratic decision-making body, with representatives possessing varying levels of knowledge on global school issues.

- There was an overriding concern that greater care should be placed on selecting forum representatives in terms of their calibre and expertise and the possession of a collective school perspective rather than an individual agenda.
- The majority of headteachers believed that the enhanced role of the Schools Forum would affect people's willingness to participate, with slightly more stating that it would increase participation than the number who said it would decrease participation. However, when asked specifically about governor participation, over half of those who responded believed there would be a decrease in participation owing to the added responsibility and the financial technicalities discussed in the forum.
- The predominant reason stated by those who thought people's willingness would be positively affected was that the greater decision-making powers would act as an incentive. In contrast, those who thought people's willingness would be negatively affected argued that the enhanced role would result in increased responsibility and time commitment.

## 6 Collaborative working

The use of inter-school collaboration as a means of supporting school financial management was discussed in section 4.3. This part of the report focuses on the implications of the new funding arrangements for collaborative working more generally. It covers partnerships with other agencies and extended schools, as well as collaboration between schools and the local authority's role in inter-school collaboration.

### 6.1 Partnerships with other agencies

There were mixed views about how the new funding arrangements might affect school partnerships with other agencies. Just over one-fifth of the headteachers interviewed agreed with the majority of local authority personnel interviewed in the previous phase of the research and thought there would be no impact. However, just over one-fifth (most primary headteachers) felt that the new funding arrangements would have a negative effect and one-fifth (most secondary headteachers) felt that they might have a positive effect. Others had mixed views or were uncertain.

The main reason given by those who thought there would be no impact was that relationships between schools and other agencies were already well established and would continue regardless of the finances. This was considered more to do with professional commitment and the mindset of those involved. It was also thought that it would be dependent on what is in the best interests of the children or that schools would get involved where there are likely to be desirable outcomes for pupils. Some noted that inter-agency work was more dependent on other factors, such as *Every Child Matters* and a few referred to specific funding for inter-agency work (e.g. through the Standards Fund). Individual interviewees also thought that there would be no impact on inter-agency partnership working because the funding changes are not radical.

Among those who thought there would be a negative impact there was more consensus. Interviewees agreed

that lack of funding and resources for the coordination of this type of work might be problematic. Some felt there was a lack of clarity about who pays for what and that other agencies would expect schools to pay, whilst some talked about the expectation of sharing resources. Others added that schools would have too little money to do any valuable work in this respect. One secondary headteacher thought that, without the necessary funding, it would be difficult to put effective structures in place and it was also noted that schools would need more personnel to make it effective, with consequent implications for finances. They thought that, with less money at the centre, the local authority would also have difficulty maintaining inter-agency work. Concern was also expressed about the lines of funding for different agencies becoming blurred and the potential for funding to be directed away from education. These headteachers thought that budgets could become a huge issue in the move to children's services. The question was mooted, for example, that, if education received a ring-fenced grant, other services might also receive direct grants. Others referred to the tendency for schools to work in isolation, one headteacher stating that school financial autonomy makes it difficult to deliver the strategic obligations of the local authority since this requires sacrifice of resources 'for the greater good'. The new arrangements were also felt to reinforce the fact that it was not a 'joined up' budget.

Two main reasons were cited for a likely positive effect. This included the flexibility of funding afforded by the new arrangements. It was felt, for example, that the ability to match the funding of partners would generate more of this type of activity and that this would be better organised locally in confederations of schools. The other main rationale concerned the ability to look at children's needs holistically as a result of the new arrangements since it was thought that the local authority would be more likely to focus on a needs-led approach (rather than purely educational). Other reasons cited by individual interviewees were that, with more effective planning, schools would feel more confident to fund such initiatives and that schools would be able to spend standards grant funding on extended school provision.

One primary headteacher reported that trying to go beyond the budget with extended schools and the *Every Child Matters* agenda had received little local authority support. She added that there were barriers to making it work effectively, such as the 'accountancy attitude' and bureaucracy within the local authority. She believed that the development of federations of schools would facilitate collaboration with other agencies.

## 6.2 Extended schools

Headteachers of extended schools were also asked how the new arrangements might impact on their existing work within this remit. Of the nine who commented (three of which were not officially designated extended schools but adopting elements of this approach), four stated that there would be no impact, three that the impact would be negative and two that it would be positive. Those who thought there would be no impact stated that the money would be used the best way it could to support pupils and that this was often dependent on the commitment of the professionals involved rather than funding. One added that they would need to be clear about their responsibility and therefore what they should fund. Of those who were negative, one stated that there had been no realistic costing of extended schools and that the nature of funding would severely limit what could be done within this remit because of the extra workload involved. This view was supported by another headteacher who thought that schools would need more support if they were to change radically because there is little opportunity in the way of income generation in schools. He reported, for example, that teachers now expected to be paid for after school activities and that they followed the extended schools agenda 'at an expense'. In addition, another stated that, if pump prime funding dries up, they would have to rely on synergy from professionals to keep it going. In contrast, those who were positive thought that the new arrangements would give them the flexibility to match the funding of partners and would generate a lot more of this type of activity.

## 6.3 Collaboration between schools

A third of those interviewed, half of whom were secondary headteachers, were in agreement with the majority of local authority personnel interviewed and

felt that the new funding arrangements would have no impact on their collaborative work with other schools. A further third, half of whom were primary headteachers, felt that the new funding arrangements might have a positive effect, whilst just over a fifth felt that they might have a negative effect. The remainder stated that it depended on certain factors or were unsure.

The main reason given by those who thought there would be no impact was that this was less dependent on finance and more on existing connections and the willingness of headteachers to be involved. There was a view that, if schools wanted it and it was considered worthwhile in terms of the outcomes for children, they would work out the finances. Two interviewees noted that pressure to collaborate with other schools was coming through other developments, such as the 14–19 curriculum and specialist school status.

The majority of those who thought there would be a positive effect stated that more headteachers were recognising the benefits of collaboration with other schools and there was greater awareness amongst headteachers of the value of federations. It was also noted that, with more control over their budgets and better forward planning, collaboration between schools may be enhanced. Collaborative work focused on the 14–19 curriculum was particularly noted, including one secondary school, for example, where a shared timetable and consortium arrangements were reported to lead to sixth formers 'getting a good deal'. This headteacher thought that schools would do everything to get around any problems posed by the new funding arrangements because they valued the benefits. Interviewees talked about developing federations with other schools and schools sharing governing bodies and bursars. They stated that there would be more opportunities to share financial expertise, such as a business manager; whereas competitiveness had previously prevented this. A cluster system might, for example, enable them to access the support for new arrangements that some schools needed. The view was that, if the local authority role diminished, it would be more effective to work as a group of schools so that they could tap into good practice. However, one primary headteacher, although positive overall, suggested that inter-school collaboration also posed serious challenges for some schools and was more demanding of headteachers.

Headteachers who stated that inter-school collaboration would be adversely affected thought that competition between schools would increase as a result of the new arrangements, creating a barrier to collaborative working. This was reported to be 'fraught with difficulties', with schools finding it difficult to collaborate in such a climate because they were taking away pupils from other schools. With increased autonomy, some headteacher attitudes were reported to get in the way of inter-school collaboration, leading to increasing school isolation. One special school headteacher reported that, whilst collaboration over the curriculum was good, when it came to spending money 'that was a different matter' because headteachers did not want someone else telling them what to spend their money on. The advent of trust schools was felt to compound this adverse effect. It was also noted that, with money devolved to schools, there was no guarantee that it would be used for this type of work and, with less money centrally, the local authority would be less able to provide support and there would be no one to oversee inter-school collaboration. In addition, the loss of Excellence in Cities (EiC) and Leadership Incentive Grant (LIG) funding was also considered influential, with one headteacher reporting that sustaining inter-school collaboration without this would be difficult.

Other interviewees thought that the impact on inter-school collaboration would depend on certain factors, such as the amount of money available for this type of work, local authority direction and the attitude of individual headteachers. One special school headteacher felt it would depend on individual school's confidence with regard to spending decisions and that those who were nervous about their ability to manage financially as a result of the new arrangements might engage in less collaboration.

#### **6.4 The local authority's role in inter-school collaboration**

Interviewees were also asked about the impact of the new arrangements on the local authority's ability to draw schools together to work in collaboration. A third of the headteachers interviewed stated that they thought the new funding arrangements would have a negative impact on the local authority's ability to pull schools together. Just under a third felt that the new funding arrangements would have no impact. Only one interviewee, a secondary headteacher, thought the

impact would be positive. The remainder thought that it would depend on certain factors or were unsure.

The main reason proffered by those who thought there would be a negative impact was that local authorities would find it difficult to enforce these working arrangements. According to one secondary headteacher, 'The days when you get collaboration through the local authority have gone.' This headteacher stated that schools choose whether they want to collaborate with other schools or remain in isolation. Examples were presented of local authorities having difficulty negotiating with schools over inter-school collaboration. With greater independence, it was felt that local authorities would be less able to exert any influence over them. In addition it was noted that, with less central funding, the local authority was likely to have less power and less impact. According to one interviewee, their ability to respond in a flexible way to schools would be curtailed. Without financial incentives it was felt that there would be no perceived benefits for schools and, according to one, 'The glue between schools and the local authority would not be there.' Interviewees also talked about confusion over the local authority's role, as well as key local authority personnel being depleted and under duress.

Those who felt there would be no impact mainly thought that inter-school collaboration was independent of local authority input. They reported that local authorities did not currently undertake this type of work and that, once schools bought in services, there was little scope for collaboration. One interviewee felt that the local authority role as 'broker' of this relationship rather than leader should be spelt out. Others stated that the schools in their local area already worked effectively together in a cluster or group. In three instances, however, a continuing role for the local authority in bringing schools together was suggested.

The secondary headteacher who advocated that the local authority's role would be positively affected, stated that this was because there would be greater clarity about the division between local authority and school budgets, together with greater transparency in relation to the purposes to which schools budget could be put.

Others thought that the impact on the local authority's role in inter-school collaboration would be dependent on other factors, including: the quality of service they provided; the type of collaboration and what it was

trying to achieve; the split between the local authority and the schools budget; local authority funding and their creativity with their budgets. One stated that the recently introduced White Paper could leave the local authority with 'nowhere to go', with schools becoming more independent and highly competitive.

schools or have no impact. There was considered to be a greater awareness of the value of federations of schools amongst headteachers, but school participation was thought to be more dependent on the willingness of headteachers to be involved than on the financial resources available.

## Key points

- There were mixed views amongst headteachers about whether the new funding arrangements would have negative or positive implications for school partnerships with other agencies.
- Those who thought there might be a positive effect pointed to increased flexibility of funding and the ability to examine needs holistically as their main rationale, whilst those who thought there might be a negative effect referred mainly to lack of funding or resources. Others thought that relationships were already well established and were independent of finances.
- The majority of headteachers were of the view that the new funding arrangements would either have a positive effect on collaboration between
- A third of the headteachers interviewed proffered the view that there might be a negative impact on the local authority's ability to draw schools together as a result of the new arrangements, whilst slightly fewer thought that there would be no impact.
- Those who thought that there would be a negative impact argued that local authorities would find it very difficult to enforce working arrangements on schools and, with less funding at the centre, they would have less influence over schools. Those who felt that there would be no impact held the view that school collaboration was not dependent on local authority input and schools were already working together effectively.

## 7 Future developments

Headteachers were asked for their perspective on the introduction of academic year funding and the merging of the School Development Grant and the Schools Standards Grant into a new Single Standards Grant. At the end of the interview, they were also asked for any further comments on the new funding arrangements and these comments have been included in the final section of this chapter.

### 7.1 Academic year funding

Unlike local authority interviewees, the vast majority of whom were against the introduction of academic year funding, headteachers held more mixed opinions. Whilst almost half of the headteachers interviewed (a greater number of whom were from secondary schools) were in agreement with local authority personnel and were against this proposal, a quarter (a greater number of whom were from primary schools) were in favour. The remainder talked about both the pros and cons of a move to academic year funding.

Those who were against academic year funding stated that this was 'change for change's sake' and that there were no advantages to such a move. They stated that schools were used to working on a financial year basis and that the calculations they had to undertake at present were not a problem, although one noted that this may be dependent on the financial expertise within the school. One commented that financial planning was done on a financial year basis, whilst schools improvement planning was done on an academic year basis and this worked fine. Another stated that the current system enabled the school to have its budget in place in April in order to start planning in September, thereby assisting forward planning. The second most frequently given reason for this proposal's lack of support was the additional workload involved for schools. The majority stated that they would not want the two closures of accounts this would necessitate as this would create an additional burden for finance staff. The additional costs involved and the fact that September is already a busy time for schools were also noted. Others felt

that schools needed to be in line with the majority of other organisations and services which work on a financial year basis. It was also thought that it would be too complicated to conduct school finances on both a financial and an academic year basis, one headteacher adding that school staff had little financial training (because schools did not have the money to appoint more qualified staff) and were not able to grasp the concept of consistent financial reporting. Interestingly, a few headteachers thought that the move to multi-year budgets would resolve the issue of planning across financial years and that a move to academic year funding would be unwarranted as a result.

The main reason given by those in favour was that the academic year was the school's natural planning cycle. Examples were given of the curriculum and the School Development Plan, with interviewees stating that a move to academic years would enable the school to integrate more aspects (e.g. professional development). The second most frequently given reason was that most financial decisions, such as staff recruitment and pay rises, take place in September. It was also noted that the school budget related to a cohort of pupils and the resources required to support their needs and that pupil numbers change in September. Contrary to those who thought that schools were used to working on a financial year basis, some headteachers described calculating the budget across two academic years as 'difficult' or 'awkward' and thought this created additional stress. One secondary headteacher who was in favour stated that, although it made more sense, the change would need to be well supported and schools would need to be guided through the process for it to be implemented effectively.

In addition, when probed more deeply, many of those who were in favour of academic year funding felt that, if it involved the closure of accounts twice a year, this would be out of the question because of the extra workload involved (for schools and for local authorities). Thus, very few would accept the proposal for academic year funding under these circumstances.

## 7.2 The Single Standards Grant

In common with local authority interviewees, the majority of headteachers interviewed were in favour of the merging of the School Development Grant with the School Standards Grant into a new Single Standards Grant and only a minority of headteachers (from secondary and special schools) was largely against this proposal.

Two main reasons were given for favouring this merger. Most headteachers stated that it would simplify the system as tracking lots of pots of money and thinking of money as lots of little pots were reported to be difficult. Some added that this simplification would also aid transparency. They felt that schools should just get one budget as this would be more powerful than a little bit here and there, with a few questioning why all the money was not put into the DSG. The other main reason given was that this gave schools the flexibility and the freedom to make their own decisions about how they spend their money. It was felt that this was a decision best left to the schools which were able to look holistically and flexibly at their needs, and they felt that schools should be trusted with their own priorities. Interviewees talked about current restrictions on their ability to shift funds around (e.g. if they had too much money for one area). According to one primary headteacher, schools often manage the money as one big pot anyway and having different pots of money 'can sometimes handcuff you and restricts what you can do' as every school had a different set of needs. One secondary headteacher maintained that current flexibility with funding had led to more efficient use of the money by schools and to a rise in standards. He argued that, with greater lump sums of money, schools were able to change things more radically and he gave the introduction of personalised learning packages as an example.

However, those who were in favour often added provisos. Many headteachers (over a quarter of the overall sample), although in favour overall, stated it was important that the purpose of the money was clear and that there should be a means of ensuring that the money is used for its intended purpose. They stressed the need for clear accountability and the need to challenge schools if the money is not used in the best interests of the children. In addition, some headteachers were concerned that the overall level of funding would be reduced at the same time and merging funds would curtail any opportunity for dialogue regarding sufficiency of funding. Interviewees called for the Government to ensure that

initiatives (e.g. performance related pay) were funded adequately. Where such funding streams were reported to have provided a lot of support for schools, headteachers were anxious that they would lose out.

The minority against the proposal reiterated the concerns raised above. They were suspicious that the move was an opportunity to reduce funding: 'When grants get merged, they disappear and things get double counted'. In contrast to those who were in favour, some thought that the merging of the grants and tying a huge block of money to one set of criteria may reduce flexibility and the ability to target funding to where it was needed. A few headteachers felt that money was better earmarked for specific purposes and that there were certain issues for which separate grants were required, one quoting post-threshold funding (being important for career motivation) as a point in question. A special school headteacher reiterated that, if schools were given a generic lump sum, the local authority would need to challenge schools to look creatively at where they spent this additional funding.

## 7.3 Additional comments about the new funding arrangements

At the end of the interview, headteachers were asked if they had any further comments they wished to make. A fifth of the headteachers interviewed (most primary headteachers) made relevant comments about the new funding arrangements and their views are collated here.

The majority of those who made additional comments about the new arrangements added a negative or cautious note with regard to their implementation, whilst a few offered more positive contributions.

The timeframe for the implementation of the changes was the main concern. Interviewees called for caution in trying to drive through the new arrangements without knowing if problems were likely to occur and with insufficient time for modelling. Careful implementation was said to be required because schools were suffering from initiative overload and poor staff morale due to the introduction of Teaching and Learning Responsibility (TLR) Payments. According to one headteacher, this change 'may be the last straw for some heads'. It was thought to be important to understand the pressures on the ground. Others talked about the need for a period of



stability. Concerns were also raised about a reduction in local authority staff and loss of their valued support. Linked to this, there was also a concern that schools which were managed ineffectively could get worse. In contrast, those who were positive stated that the moves were in the right direction and their comments tended to focus on the ability of schools to plan ahead and the freedom of budget discretion afforded by the new arrangements for schools.

## Key points

- Almost half of the headteachers interviewed (a greater number from secondary schools) agreed with the overwhelming majority of local authority personnel and were against the proposal for academic year funding, whilst a quarter (a greater number from primary schools) were in favour. However, most of those in favour indicated that, should this involve extra work for schools, they too would be against such a move.
- The main reasons given for opposing the proposal were that schools were used to working on a financial year basis and the additional workload for schools. Headteachers also stated that it would be too complicated to undertake both academic and financial year accounting, that the additional costs involved outweighed the benefits and that this would be contradictory to practices within other organisations and services.
- Headteachers who were in favour, on the other hand, thought academic year funding would be beneficial because the academic year constituted schools' natural planning cycle and the budget related to the needs of a cohort of pupils. They also stated that many financial decisions (staff pay rises in particular) were taken in September and that many aspects of the school, such as the School Development Plan ran from September to September. However, although largely in favour, many stated that they would reject the proposal if it involved the closure of accounts twice a year because of the extra workload.
- In common with local authority interviewees, the majority of headteachers were in favour of merging the School Development Grant with the School Standards Grant into a Single Standards Grant as this would free schools to make their own spending decisions and would be a simpler system, making it easier to track monies received. However, they added the provisos that there was clarity about the purpose of the money and that the overall level of funding would not be reduced.
- When asked for any further comments, one of the most frequently cited concerns about the new arrangements was their implementation, particularly the timeframe. There was a call for the need to think through the implications of the changes and to highlight likely problems before they arose.

## 8 School case studies

This section of the report presents detailed case studies from each of the ten schools visited during the course of the study, to illustrate the implications of the revised funding arrangements for different schools within different local authorities. Each case study begins with a summary of the school followed by a brief description of the local authority. The following sections are included in each of the case study illustrations:

- background: a description of the school (including the level of financial expertise) and of the local authority
- key issues: the main issues for the school as a result of the new funding arrangements
- current support: the support currently provided to the school by the local authority
- future developments: areas for future development and support.

Five primary and five secondary schools were included in the case-study phase of the research, covering a range of school types, including those with/without specialist school status; over and undersubscribed schools; urban and rural locations; serving deprived and non-deprived areas and with high and low numbers of SEN pupils. The case studies presented illustrate a range of school circumstances and, in particular, illustrate the impact of the changes to the school funding arrangements on schools in different financial circumstances (e.g. those with surplus and deficit budgets; those with access to different funding streams).

The case studies draw on information gathered through both the face-to-face and the telephone interviews carried out at each of the schools. They include interviews with headteachers, financial managers/bursars, governors, local authority link advisors and other staff with responsibility for, or involvement with, school financial management.

Below is a brief description of each of the case studies which follow.

### Case study 1

A middle school with 376 pupils drawn from a mixed catchment area. The school is funded at basic level. The school is due to become a junior school over the next two years and this will affect pupil numbers, impacting significantly on the level of funding. Overall, the new funding arrangements were considered to present relatively few changes or challenges for the school's financial management. Key issues: the local authority's allocation of funding; school reorganisation; staffing.

### Case study 2

A junior school with 320 pupils on roll and located in an outer London borough. The school is situated in an affluent area, making the pupil profile mixed and diverse. The school benefits from extensive parental fundraising. Overall, the new funding arrangements are considered to pose relatively few challenges to the school in terms of financial management. The school has a proactive approach to inter-school collaboration. Key issues: the imminent retirement of the headteacher; insufficient local authority finance training for newly appointed headteachers and deputy headteachers; problems with staff retention; concerns about the devolution of funds for high incidence, low level SEN pupils.

### Case study 3

A secondary school with 600 pupils situated in a very deprived area. The school is currently in special measures. Fifty-eight per cent of the school population are registered SEN and 20 per cent receive free school meals (FSM). The school attracts several funding streams in addition to basic funding. The new funding arrangements were felt to simplify the funding process, enable schools to plan ahead and increase the school's autonomy and flexibility to use their funding. Key issues: uncertainty and instability of targeted grants; overcoming special measures; securing staffing; the level of funding not reflecting

the levels of deprivation and SEN within the school; fluctuating pupil numbers.

#### **Case study 4**

A primary school with 400 pupils drawn from a wide catchment area. The school is undersubscribed with vacancies in all but one year group. Despite several advantages of the new arrangements being acknowledged, including increased autonomy and flexibility for schools, simplification of funding streams and the ability to plan ahead, it was felt that these changes would not have a significant impact on the school. Key issue: the instability and uncertainty of pupil numbers.

#### **Case study 5**

An outer London, mixed comprehensive community school with approximately 1,200 pupils currently on roll. The school has specialist status in Business and Enterprise and is the authority's only full-service extended school. The school is also part of a Behaviour Improvement Programme (BIP) cohort and is involved in the Excellence in Cities (EiC) initiative. The school is located within a relatively deprived area of the local authority, demonstrating both social and economic deprivation. Overall, the new funding arrangements were considered to present no significant challenges to the school. Inter-school collaborations were positively endorsed. Key issues: local authority monitoring; distribution of funds for capital projects; the influence of funding for government initiatives; concern surrounding school financial waste; insufficient finance training for school staff.

#### **Case study 6**

A self-governing (foundation) boys' selective grammar school with 1000 pupils. The school is considered to be high performing and is oversubscribed. It is funded at basic level. The school has substantial control over its budget and therefore the new funding arrangements were felt to have minimal impact. Overall, the new funding arrangements were welcomed as they increased the school's autonomy and flexibility to use funding. Key issues: schools with financial difficulties; staffing costs; the distribution of capital funding by the local authority; targeted funding.

#### **Case study 7**

A large, single-phase junior school with 350 pupils on roll. The school draws from a catchment area of above

average per capita income. The school fails to qualify for any additional funding streams above its basic funding allocation. The financial circumstances of the school were described as very good and stable. The skills of the administration officer were described as amongst the most comprehensive in the authority, providing an extremely high level of financial management support for the headteacher. Overall, the new funding arrangements were positively regarded for providing greater stability and enhanced school autonomy and no particular challenges were identified. The school currently collaborates closely with its neighbouring infants' school and the headteacher recognised the potential benefits of greater school collaboration. Key issues: falling rolls; the local authority role; the enhanced powers of the Schools Forum.

#### **Case study 8**

A rural 4–11 primary school with 400 pupils on roll in one of the lowest funded authorities in the country. The school draws from a mixed catchment area, has very low SEN and few pupils qualify for FSM. The school's budget is set at just over £1 million. The headteacher is supported by a financially astute governing body and a strong administration department. The school considered itself to be particularly fortunate as, given its size, it is less detrimentally affected than some of its neighbours by the new arrangements. It was thought that the new arrangements would provide greater control over funding. Key issues: SEN pupils; the role of the local authority; inhibition of extended school provision; energy cost rises.

#### **Case study 9**

This school is an oversubscribed, high achieving 11–18 mixed comprehensive school in a sought after area of a low funded authority. The school has been undergoing considerable remodelling. It is a Specialist Technology and Engineering school, a training school, and has opened a lifelong learning centre. There is currently a £3.5 million sports development taking place. The annual budget is just under £7 million. The school is facing a deficit budget but a three-year recovery plan is in place. The school enjoys the benefits of a skilled governing body and a large finance department. Key issues: the remodelling of the school has incurred considerable costs; the running costs of the school facilities are high; lack of flexibility (leading to the introduction of a number of income

generation strategies); budget monitoring difficulties due to the number of funding streams currently coming into the school.

### **Case study 10**

An 11–18 comprehensive school, drawing 1250 pupils from an area of reasonable affluence, where parents have high expectations. Fifteen per cent of pupils at the school are black and ethnic minority pupils (largely Somalian), but the school has low numbers of SEN pupils and most students are not eligible for FSM. This means that the school does not receive targeted funding from the local authority. The level of financial management in the school was viewed as 'very high'. The headteacher felt that the new arrangements were all potentially positive but that there needs to be a transitional period that allows schools to deal with the new arrangements in a progressive way. Key issues: loss of targeted funding; lack of transparency with regard to the local funding formula; provision for ethnic minority pupils; lack of long-term planning ability due to the delayed release of some funds.

## **8.1 Summary**

In the majority of cases, school staff felt that the new funding arrangements would not create significant challenges for their school. However, some of the common themes in terms of key issues and future developments are highlighted here.

## **8.2 Key issues**

A number of key issues were identified as a concern by more than one school in the case-study sample. However, only one of these key issues arose directly as a result of the introduction of the new funding arrangements. This was the problem associated with managing fluctuating rolls, which was the main concern for some schools. There was a belief that fluctuating rolls may continue to create instability and uncertainty despite the provision of multi-year budgets. Thus, the new funding arrangements would be of less benefit to schools in these circumstances.

Other key issues raised were less directly related to the new funding arrangements. Increased staffing costs and the costs associated with having highly

experienced staff were particularly highlighted, although, it was noted that the introduction of multi-year budgets may help schools plan ahead and, in this way, provide a greater degree of staffing stability. The instability of additional funding streams, such as EiC and LIG funding, was also highlighted. It was felt that the short-term and often uncertain nature of such funding streams made forward planning difficult. Despite the simplification of funding streams under the new arrangements, it was felt that multiple funding streams would continue to exist and would continue to be an administrative burden.

## **8.3 Areas for future development**

In light of the new arrangements, a number of areas for future development were identified within the case-study sample. These included the following: financial management training; the development of clusters or federations of schools; the development of the local authority role and assessing value for money.

A common feature throughout the case studies was the references to the need for more financial management training for school staff. This included training for headteachers and middle managers, but particularly for finance officers and school governors, to enable them to have greater awareness and involvement in financial issues. The importance of middle managers having greater awareness of, and taking more responsibility for, financial issues was also raised. It was thought that this would help avoid needless financial waste. In addition, it was also noted that the financial expertise within a school was often located in one or two key individuals and, where staff were moving on or retiring, this could be problematic. This might be best addressed by spreading financial expertise amongst the staff.

Moves towards the development of federations or clusters of schools were evident within the case-study sample. This was seen as a way of addressing a potential reduction in central local authority services. The sharing of financial expertise across schools, for example, from secondary to primary or from the more financially astute to less astute schools, was proffered as a way of addressing the lack of financial expertise in some schools.

There was recognition of a greater need for the future role of the local authority to focus on monitoring and challenge under the new arrangements. With schools having greater control over their finances, it was thought that there would be an increased danger of schools getting into financial difficulties without this. The development of budgetary planning tools by the local authority was also suggested as a useful aid to effective forward planning for schools. These were predicted to be valuable tools for planning anticipated future needs,

pressures and costs. In some local authorities, these were already in the process of development.

School staff also talked about the need to place a greater emphasis on assessing the value for money of outside services. One headteacher, for example, stated that the school needed to be more analytical and make use of benchmarking data for this purpose. The notion that multi-year budgets might enable schools to buy in services at reduced costs was also mooted.

# Case study 1

## Background

### Description of school

A middle school for pupils between 8–12 years. The school has a roll of 376 pupils drawn from a mixed catchment area. The school is funded at basic level (i.e. it does not attract funding for FSM and social deprivation) and also does not receive funding for grounds maintenance. It is funded below the average of most primary schools. The school does, however, attract additional funding for pupils in year 7 (key stage 3). The school is due to become a junior school over the next two years which will reduce funding further (as they will not attract additional KS3 funding which is more heavily weighted). This in turn will affect staffing. The financial management of the school was described as adequate and able to manage the school's finances within the new funding arrangements. Several of the school governors were reported to work in finance and therefore were considered well placed to deal with the school's financial issues.

### Description of local authority

A large county authority with a large geographical area. There are three major urban centres and pockets of deprivation, although these do not always register within the deprivation measures. The authority received support as a floor authority in 2004/05 but has not received this funding since this time.

## Key issues

Overall, the new funding arrangements were considered to present relatively few changes or challenges for the school's financial management. The school acknowledged and welcomed the increased flexibility afforded through the new arrangements although it felt that some funding would still be ring-fenced and thus less flexible. Multi-year budgets were felt to offer a degree of predictability for the school in terms of planning for changes in demographics, however, the benefit of this was felt to be reduced due to the uncertainty about future pupil numbers as a result of the school's changing circumstances (see below).

### Local authority allocation of funding

The main issue for the school related to the local authority's distribution of funding. The local authority's intention to distribute most funding via an age-weighted per pupil formula was felt to be inappropriate since it failed to allow for variations in the

individual circumstances of different schools (such as staffing levels and costs, building costs). The introduction of a 'per school' factor for distributing the formula was felt to be an option which would address these issues. This could then be applied on a per pupil basis and would still reflect the individual school's circumstances.

### **School reorganisation**

The school is changing from a middle school to a junior school which is expected to affect the number of pupils on roll. The school was experiencing an immediate impact on its year 7 intake, with many parents trying to access a secondary place for their children prior to the reorganisation of the school. Moreover, the planned reorganisation has created uncertainty about the level of funding the school is going to receive in the future. The headteacher also highlighted that the reduction in pupil numbers may create financial pressures in relation to school maintenance costs (e.g. building works, electricity) which would still require funding despite the school receiving a reduced level of funding as a result of its reduction in pupil numbers.

### **Staffing**

The school has a high number of experienced staff with higher salaries. This has implications for the school's finances and employment practice which, it was felt, was not reflected in the local authority's allocation formula.

## **Current support**

The quality of the financial advice received from the local authority was felt to be varied. The headteacher expressed some concern over the way in which advice and guidance was made available, and the extent to which it addressed the needs and understanding of different audiences (i.e. those with different levels of knowledge and expertise). It was also felt that the dialogue between local authority budget officers and schools was often limited, although the headteacher did acknowledge that support was available 'when needed' and that the telephone support service was useful. Likewise, the training available for headteachers and school finance staff was considered useful. The headteacher also referred to a recent audit of the school's finances by the local authority which had been welcomed. Generally, however, it was felt that the local authority did not carry out sufficient monitoring of schools, particularly where schools appeared to be overspending funds. In addition, the headteacher reported regular problems and issues with the software package used which it was felt should be rectified before issuing the software to schools. It was felt that there should be more transparency over the services being bought in from the local authority to enable schools to ensure that they are receiving value for money. Moreover, it was felt that the local authority could be more proactive in its support to schools. The headteacher also expressed concerns over the decision to reduce central services at a time when schools were being given more autonomy

over their finances and therefore would be likely to require more support and challenge. Likewise, the increased workload for schools as a result of funding being allocated directly to schools was highlighted as a cause for concern: 'You are actually creating another level of bureaucracy' (headteacher).

## Future developments

- The quality of governor training could be improved. Here, it was suggested that it should be more accessible for the different levels of knowledge and understanding of governors. A further suggestion was that governor training should relate specifically to the individual school's finances and not be based on hypothetical budgets.
- Both the headteacher and the school governor felt that the local authority could draw upon the experiences and expertise of headteachers with a good financial management record to offer their support to other headteachers and their schools. Likewise, the development of a 'think tank' to discuss local authority proposals was suggested by the school governor.
- It was suggested that the local authority could increase the guidance and support available to schools at particular times and/or for particular circumstances e.g. support regarding spending surplus funding, consultation in advance of the introduction of new initiatives or schemes.
- It was felt that the authority should consult with schools at an earlier stage regarding changes to funding and the introduction of new initiatives and that this dialogue could be more frequent.
- A further suggestion was the need for more devolved capital money and more transparency regarding the level of capital funding available.
- Schools within the local authority are working together in a cluster to evaluate how they use their In-Service Education and Training (INSET) money and how this might be made more effective (e.g. by identifying common needs and using expertise within schools). Middle school headteachers in the authority have developed their own INSET programme at a cost of £250 which has been extremely positive: 'It knocks spots off other providers in terms of value for money. It is those sorts of things that are professionally enhancing as well as money saving' (headteacher).
- The headteacher acknowledged that the school needs to be more analytical in its spending to ensure that best value is achieved. Benchmarking is a useful tool for this as it enables the school to make decisions based on specified parameters.



## Case study 2

### Background

#### Description of school

A junior school for pupils aged between 7–11, with an attached feeder infant school located on the same site. The school is situated within an affluent area of the local authority, although there are two pockets of major deprivation in the locality. The school draws pupils from both the immediate and surrounding catchment areas, resulting in a mixed and diverse pupil profile, particularly in terms of deprivation and ethnicity. The school roll typically ranges between 320 and 330 pupils, although this can fluctuate slightly throughout the school year. It is estimated that, of those children on the school roll, approximately 50 per cent come from professional, working family homes. There is a focus on excellence and high achievement within the school and extensive parental fundraising plays a key role in supporting this through the provision of funds for additional resources and excursions. A community building, which is in need of repair, is located in the centre of the junior and infant school premises. A funding application has been recently denied for a new build. The school and attached infant school are currently awaiting the outcome of an appeal.

#### Description of local authority

An outer London borough serving an area of West London. The authority is funded as a ceiling authority and has a good Comprehensive Performance Assessment (CPA) score. The borough comprises a range of social and ethnic characteristics and, although the area has good levels of employment, there are local pockets of deprivation and disadvantage. There are 83 schools in the authority (64 primary; 14 secondary and five special schools). There is one pupil referral unit in the borough.

### Key issues

The new funding arrangements are considered, overall, to pose relatively few challenges to the school in terms of financial management and are thought, by the finance committee and financial administrator, to have a limited impact on the school. Any concerns of the headteacher and school staff have been dispelled through the school's proactive approach to attending and requesting training sessions. The headteacher purports that training is the key to overcoming challenges and for allaying anxieties. The school has recently formed a cluster of schools for the purposes of extended provision. The headteacher has suggested to the schools that funds could be used centrally to develop specific expertise, for example, in the area of developmental disorders. In addition, the school is already involved in

collaborations with the attached infant school through shared committees and regular close liaison between the governing bodies, demonstrating further its proactive approach to inter-school partnerships.

### **Financial expertise of key individuals**

The school's good financial situation was attributed to the strong expertise of the headteacher and the knowledgeable governing body. However, this was also alluded to as being a key issue for the school. Indeed, the headteacher is due to retire in approximately five years' time meaning that the school may experience a change in financial management. Similarly, concern was expressed that it can be precarious for a school when the expertise lies with a select number of individuals as there is little financial planning depth.

### **Finance training**

Concerns were raised regarding the level of finance training offered to newly qualified headteachers and deputy headteachers in the borough. Although the headteacher is personally involved in delivering the training through the induction programme, it is considered to be too basic and insufficient. It was suggested that a number of school staff could receive training on financial management: 'If they could realistically understand how the budget works, I think we would take a more creative approach' (headteacher). In this sense, the management of the school budget could be applied to the school staff as a team exercise. Alternatively, it was proposed that the training programme for newly appointed headteachers and deputy headteachers could be intensified and include a more thorough grounding on financial management.

### **Staffing**

The school experiences a relatively steady change in teaching staff each year, primarily because of the cost of living in the area. The school does not benefit from the inner London salary weightings, which if they did, may encourage teacher retention.

### **SEN**

Local authority devolution of funds to schools for high incidence, low level SEN statements is thought to adversely affect the school's inclusion agenda. The headteacher expressed concerns that the school may experience a decrease in funds and so may struggle to meet the needs of these children.

### **Current support**

The school almost exclusively buys in services from the local authority and has been historically committed to doing so. However, the perceived weakened role of the local authority and the fact that the new funding arrangements will see 'expertise dissipate at the centre' (headteacher) may result in the school looking to source

services from outside agencies. In addition, concern was expressed over the inability of the local authority to effectively manage schools that either massively overspend or underspend under the new funding arrangements. Further concern was raised that the weakened role of the local authority may result in reduced levels of general support for the school.

The headteacher and financial administrator are happy and confident with the level of support, advice and guidance they receive from the local authority. Similarly, the chair of the finance committee welcomed the level of support and scrutiny offered by the local authority, particularly in relation to safeguarding financial incompetence.

The local authority is perceived to provide a range of training opportunities for members of the school community. Uptake is varied, although the chair of the finance committee perceived it to be a key role of his to encourage governors to attend training because 'people have to understand what they are doing'.

The school perceives the local authority to be relatively responsive to the needs of the school. For example, the governing body expressed concerns over how the financial information for the school was being recorded on monitoring sheets and requested they be reproduced by the local authority in a more understandable format.

The school is considered by the local authority to be a 'light touch school because the standards are very high' (local authority link advisor).

## **Future developments**

- The school welcomes the multi-year budgets proposed under the new funding arrangements because 'straight away, you have some confidence that, even though the figures may fluctuate because of changes in roll, you can, more or less, project and predict' (headteacher). Specifically, the school feels able to formulate a more confident action plan for larger, longer-term projects like ICT developments, the development of staff expertise for modern foreign languages and the realistic sustainability of providing PPA.
- The headteacher is due to retire in approximately five years' time, meaning that succession planning is a pertinent issue for the school. Consequently, the headteacher is planning to manage the budget in a more open way, in which members of staff can look at financial options and learn about financial management.
- The headteacher is keen to learn, through best practice, how to manage the school finances in different ways. The headteacher wishes to visit both a primary and a

secondary school in order to discuss with the headteachers how they make budgetary decisions and manage their school's finances.

- The chair of the finance committee requested further refinements to the financial monitoring sheets so as to enable governors to see more readily where the overspends and underspends for the school are.

## Case study 3

### Background

#### Description of school

A high school with 600 pupils situated in a very deprived area. The school is currently in special measures. Fifty-eight per cent of the school population are registered with SEN and 20 per cent receive FSM. Due to the circumstances of the school it has attracted several sources of funding including Leadership Incentive Grant (LIG) and Excellence Cluster funding. The school employs a school manager with responsibility for the school's finances. In addition, the school finance committee monitors the school budget at termly finance meetings. At each meeting a finance committee report is produced which outlines the budget available and the funds spent. Governors are free to question the figures as necessary. The school's finances were felt to be well managed and would be adequate to manage under the new arrangements.

#### Description of local authority

A large county authority with a large geographical area. There are three major urban centres and pockets of deprivation, although these do not always register within the deprivation measures. The authority received support as a floor authority in 2004/05 but has not received this funding since this time.

### Key Issues

Overall, interviewees were positive about the introduction of the new funding arrangements, acknowledging that the new arrangements would improve the school's ability to plan ahead (multi-year budgets), would simplify the funding process (SDG) and would increase schools' autonomy and flexibility in their use of funding. However, the school manager highlighted that certain aspects of the new arrangements reflected existing funding arrangements in the authority (passporting of funding) and that multi-year budgets would still require year-on-year tuning and therefore felt that the impact would be less significant: 'It doesn't give me any more hard evidence to spend for the next two years really' (school manager).

#### Targeted grants

The main issue for the school related to the instability of additional funding streams over and above their core funding (including Excellence cluster funding and LIG funding). It was felt that the short-term and often uncertain nature of these funding streams made forward planning difficult.

### **Special measures**

Given that the school was in special measures, the ability to feel able to commit funding in order to improve standards was felt to be a key issue for the school. There was some concern that the school would enter a deficit budget situation over the next two to three years in order to raise standards significantly. Although it was recognised that this was a controlled and carefully planned decision, it was felt that budgets would need to be monitored closely during this time. Likewise, there was some concern over whether the increase in staffing planned in the initial period could be sustained at a later date as the school aimed to fall within budget. The headteacher felt that the introduction of the new funding arrangements would increase stability and the ability to plan ahead and thus enable the school to feel confident in allocating funding for projects where previously it may have been reluctant to do so: 'Anything that creates greater stability means you can make better long-term plans and therefore you will hold on to fewer reserves because you won't be having to hold back money against the unexpected because there is less unexpected' (headteacher).

### **Staffing**

One of the issues faced by the school related to the appointment of staff as, due to the instability of funding, it was often difficult to determine if the appointment would be sustainable or not. It was felt that the introduction of multi-year budgets would go some way to overcoming this problem, enabling the school to plan ahead with a little more security.

### **Deprivation and SEN**

There was some concern that the funding allocated to the school does not adequately reflect the level of SEN and deprivation amongst the pupils. In particular, it was felt that the use of FSM as a measure for social deprivation was inappropriate and that the funding received for SEN did not adequately reflect the levels of needs associated with 58 per cent of the school population being registered with special needs (i.e. the need for smaller class sizes, increased support staff, extra resources). It was felt that increased transparency over the way in which the allocation of funds was calculated would be beneficial in this respect.

### **Fluctuating rolls**

The school is anticipating a decrease in the number of pupils in roll over the next year (due to the school being in special measures), however, it is also anticipated that this will be reversed in subsequent years as the school improves. This has always been an issue for the school and is unlikely to be helped by the introduction of the new funding arrangements as the uncertainty will remain.

## Current support

It was felt that the quality of the financial advice received from the local authority was good. The school manager described receiving support from the local authority's Finance Officer when needed and noted that the school's finances were monitored and checked on a regular basis. It was reported that the school plans its budget using software provided by the local authority and this was felt to be useful. In addition, it was noted that training was available for finance officers and school managers when required. Yearly meetings organised by the local authority for school finance officers/managers were highlighted and the circulation of financial briefings (from local authority DfES) to headteacher to school finance staff and governors was acknowledged.

The school highlighted that under the new funding arrangements, the local authority finance officer will have responsibility for discussing the implications of the introduction of multi-year budgets with the school manager and supporting and guiding the school manager in devising three-year plans accordingly. Such discussions were already underway, including initial meetings between the school manager and the local authority finance officer regarding the schools' three-year budget, as well as a meeting between the headteacher and the local authority review and development advisor relating to the schools development plan over the same period.

## Future developments

- It was felt that schools should be expected to devise three-year development plans to complement the introduction of three-year budgets, thus creating consistency of planning between the two.
- Increased and ongoing communication with the local authority regarding changes to the funding arrangements was felt to be an area for future improvements. Likewise the provision of clear and detailed information regarding the funding available to schools was highlighted as an area in which the local authority should target its support.
- It was suggested that the future support would benefit from joint discussions about the development of the school development plan and the development of the school financial plan to ensure consistency between the two: 'You need to be looking at what your action plan is and what the cost implications of that are' (headteacher).
- The school is also aiming to delegate more responsibility for funding to the heads of faculty in school to encourage more forward planning in terms of resources and staff development. It was felt that this would require additional training for lead teachers to enhance their understanding of the financial issues and costs underpinning the action plans for their department.

# Case study 4

## Background

### Description of school

A primary school with over 400 pupils on roll. Pupils are very mixed and are drawn from a wide catchment area. The school also includes a fully funded nursery of 26 full-time places and a special unit for pupils with emotional and behavioural difficulties. There are high levels of FSM in some year groups and this varies year on year. There are currently vacancies in all but one year group as the school struggles to meet the pupil level set by the local authority (60 pupils per year group). The financial management of the school was felt to be adequate generally, and appropriate to manage under the new funding arrangements.

### Description of local authority

A unitary authority with 56 schools (12 secondary schools, 5 special schools and 39 primary schools). A selective system operates in the authority which includes four grammar schools, four 11–18 comprehensives (non-selective) and two 11–16 schools, both of which are in special measures.

## Key issues

Overall, the new funding arrangements were considered to present no significant challenges to the school. The headteacher, despite recognising several advantages of the new arrangements (including increased autonomy and flexibility for schools, simplification of funding streams, and the ability to plan ahead) felt that the changes were not particularly 'revolutionary' and that therefore they would not have a significant impact on the school: 'There are going to be swings and roundabouts, good things and bad things about it but overall it is probably going to be pretty much as it is now, winners and losers across the board' (headteacher).

### Pupil numbers

The school currently has vacancies in all but one year group as it is unable to draw the necessary 60 pupils from its catchment area. This has an impact on the school's ability to estimate its level of future funding due to the instability and uncertainty of pupil numbers. Reception intake is relatively small and this has an effect on the level of funding the school receives. The introduction of multi-year budgets was felt to be of less benefit for the school given that fluctuating pupils numbers would present difficulties in estimating future budgets anyway: 'It is all very well knowing what you are going to get as a minimum funding guarantee, but if my numbers go up by 20 or



go down by 20, that is much more significant than knowing what I am going to get in three years' time' (headteacher).

## **Current support**

It was felt that the support received from the local authority was good. The school buys in support from the local authority from which a Service Level Agreement is drawn up. The support provided includes telephone and helpdesk advice from the local authority finance team, and technical support for the financial software used. In addition, the school receives a number of visits from the local authority finance officer to discuss budgetary issues at key points throughout the year. Training for the school's finance officer was provided by the local authority which was reported to be very helpful. In addition, half-termly updates regarding financial issues and an annual consultation to discuss school budgets were said to be provided for headteachers and school finance staff by the local authority. As part of the package of support received by the school, 'user groups' facilitated by the local authority were also highlighted as sources of support. The school finance officer described that these sessions were structured to cover different aspects of school financial management and were available to school finance staff on a half-termly basis: 'I find it quite helpful because you get to meet other finance officers and sometimes you think then that everyone has the same worries and concerns and that helps sometimes' (finance officer).

The headteacher, however, felt that at times, local authority finance officers' understanding of financial issues did not extend to the school level, and that the advice provided by different local authority officers was sometimes inconsistent. In addition, the budget planning tools provided by the local authority were felt to be incompatible with the school's circumstances.

It was also felt that the local authority had limited capacity at central level to be able to support schools and that the resources available were usually targeted to schools in financial difficulty. Similarly, the headteacher acknowledged that, under the new funding arrangements, control and flexibility at local authority level would be reduced leading to the authority taking on more of a signposting role (i.e. informing schools about how to access other services, support and funding) rather than providing those services themselves: 'It becomes more of a facilitation role than an accounting and accountability role' (headteacher). Moreover, it was felt that the local authority's capacity to support schools would be reduced overall.

## Future developments

- The headteacher felt that there was a need to upskill finance staff working in primary schools but proposed that this training could be carried out by an external organisation (i.e. not necessarily the local authority). In addition, the school finance officer felt that more advanced training programmes would be useful.
- It was felt that the availability of training to increase governors' awareness and understanding of financial issues was important. Similarly it was felt that awareness of financial issues should be raised across middle-leadership levels within school.
- Given local authorities' reduced capacity to support schools, the possibility for collaborative working between schools regarding financial issues was felt to be an option for future development. For the headteacher, the establishment of federations of schools working together, allowing schools in a strong financial position to support other schools would enable financial expertise to be shared.
- Interviewees felt that given the increase in school autonomy afforded through the new funding arrangements, some form of monitoring and challenge was crucial to ensure that schools were made accountable for their spending decisions. This was considered to be particularly important for schools showing deficit or surplus budgets.
- The school finance officer reported that the local authority was proposing a change to the delivery of its service from a support-based service to a service which focused on assisting schools with budget planning and increased their role in monitoring school financial management.
- The use of external providers (e.g. banks, private companies) to undertake the support/challenge role required for school accountability was felt to be a potential option for the future.

# Case study 5

## Background

### Description of school

A mixed comprehensive community school for pupils aged between 11–18. The school obtained designated specialist status in Business and Enterprise in September 2005 and in October 2003 the school became the authority's only full-service extended school. The school is also part of a Behaviour Improvement Programme (BIP) cohort and is involved in the EiC initiative. The school is located within a relatively deprived area of the local authority, demonstrating both social and economic deprivation. The school roll is typically over 1,200 pupils with the predominant pupil profile being white working class. Within the proportion of ethnic minority pupils at the school there are estimated to be 33 different language groups. The average academic profile of pupils, in terms of entry level, is below the national average.

### Description of local authority

An outer London borough authority serving an area of West London. The authority is funded as a ceiling authority and has a good CPA score. The borough comprises a range of social and ethnic characteristics and, although the area has good levels of employment, there are local pockets of deprivation and disadvantage. There are 83 schools in the authority (64 primary; 14 secondary and five special schools). There is one pupil referral unit in the borough.

## Key issues

Overall, the new funding arrangements were considered to present no significant challenges to the school, with the headteacher describing them as 'seeming to make sense'. The headteacher considered multi-year budgets to be advantageous in that they allow financial flexibility and longer-term planning. Similarly, the business manager stated that the figures would now be 'in black and white' and would allow the school to 'look forward with some confidence'. The headteacher has extensive experience of inter-school and agency collaborations, as illustrated in her involvement in the local authority formula working group. This collaboration was regarded as being successful as it drew primary and secondary headteachers and local authority officers into a healthy dialogue where individual views were accounted for. The employment of an external consultant was also attributed as instrumental in ensuring the success of the group because they were able to offer objective and impartial information by assuming the role of broker. The headteacher

continues to advocate the importance of collaborations and suggests that further collaborations could occur between primary and secondary schools. Secondary schools could utilise their financial expertise to the benefit of primary schools. Furthermore, cost-effective savings could be made by large resource orders being 'piggy-backed' by schools (headteacher). However, the headteacher warns that such collaborations may not be achieved in the immediate future and may be a long-term aim as 'headteachers tend to see themselves as a little island'.

### **Local authority monitoring**

There was a significant concern that a school could be gravitating into financial difficulty, which, because of the multi-year budgets, would not be readily picked up by the local authority. One suggestion to overcome this was through the production of an interim report.

### **Capital projects**

Both the headteacher and the business manager consider there is a lack of logic in the distribution of funding for capital projects, as illustrated by the funding received for re-flooring the school. The spending window for this was one year, although the headteacher discussed the problems the school would have in re-flooring the school in this short time frame. This was felt to create a feeling of desperation to spend the money and it is argued that, if the spending window were more flexible, then the school could use it more 'impactfully' (headteacher). However, it was conceded that the multi-year budgets and the DSG would enable more schools to manage more capital projects. The school has recently taken out a loan to build a new dining room, a step which was welcomed by the headteacher because it brought her financial freedom to embark on a large capital project. However, the business manager expressed some disappointment that the local authority had not consulted with the school regarding the loan, which involves the school paying interest.

### **Government funded initiatives**

The new funding arrangements, although generally perceived to be favourable, were thought to be hindered by the funding arrangements for government initiatives, such as New Deal. Many initiatives run on a window of one year meaning that it lags behind what the school has planned for development. The headteacher advocates greater dialogue and more knowledge of when the money is going to come to the school as a means of overcoming this, while the business manager called for budgetary figures to be provided earlier to schools. Furthermore, funding for the extended schools programme has presented difficulties for the school as it has not been sufficient to meet the needs of the programme. Consequently, the headteacher has had to become more creative in the use of finances in order to meet outcomes. The workforce reform model has

been adopted by the school in order to address this, so there are trained sixth form students who are employed to run some of the programmes.

### **Financial waste**

The headteacher alluded that she considered there to be huge financial waste in school budgets through needless overspends. Each head of department is asked to present a financial report at the end of the school year in order to detail their spending and financial management. If any overspend is detected, the individual is asked to present and justify their case to the headteacher and the governing body. Such procedures are thought to be beneficial to schools as a means of preventing further financial waste of budgets.

### **Finance training**

The bursar/school financial administrator training was highlighted as an area requiring improvement as it is deemed by the headteacher to be insufficient. The business manager at the school is nearing retirement age and the headteacher indicated that she would not want the local authority to train up a new bursar to replace her due to the inadequate training provided. Further concern was raised about the perceived wider remit of responsibility that the bursar/finance administrator is now undertaking (i.e. management of personnel) which detracts from the actual financial management that is needed to maintain a strategic perspective.

### **Current support**

The school receives a number of different types of support from the local authority, all of which are deemed to be helpful and of value.

Little further support is thought to be needed by the school because the financial management skills of the headteacher, business manager and the governing body are considered to be more than adequate. Indeed, the school describes its financial expertise as 'excellent' (headteacher), while the headteacher is described as 'visionary' and as having a 'very strong financial head' (business manager).

### **Future developments**

- The headteacher intends to undertake a more intensive financial management training programme with the school's deputies this academic year.
- The school undertakes a review and refinement of financial systems each academic year. This will continue, with a particular emphasis being on a review of

outside contracts, such as school meals and cleaning, in order to ascertain value for money.

- The business manager is due to retire in the summer, presenting succession planning issues. Currently, the headteacher is not planning to replace the post, however, the role may be split into financial management and personnel. Current school staff are thought to be likely candidates for managing some aspects of the post.

## Case study 6

### Background

#### Description of school

Self-governing (foundation) boys' selective grammar school with 1000 pupils. The school is considered to be high performing and is oversubscribed. Financial expertise within the school was considered to be high and more than adequate to manage the school's finances within the new arrangements.

#### Description of local authority

A unitary authority with 56 schools (12 secondary schools, 5 special schools and 39 primary schools). A selective system operates in the authority with four grammar schools, four 11–18 comprehensives (non-selective) and two 11–16 schools, both of which are in special measures.

### Key issues

Overall the new funding arrangements (specifically the DSG and the School Development Grant) were welcomed by the school as they increased the school's autonomy and flexibility to use funding: 'For this school, the most important thing is to be able to exercise as much control as possible over our own finances. So anything within the new funding arrangements that gives us a greater degree of independence is very, very welcome' (school governor). However, the headteacher did not feel that the new funding arrangements would have great implications for the school, highlighting that the school has substantial control over its budget anyway. The main issue for the school is the ability to control its own budget with minimal local authority involvement. The school felt that, although multi-year budgets would give slightly greater stability and 'visibility', year-on-year tuning would still be required in order to manage fluctuations in income and expenditure.

#### Schools with financial difficulties

Interviewees felt that competent financial management was not rewarded by the local authority and some frustration was expressed regarding schools with poor financial histories receiving local authority support and effectively being 'bailed-out' from their financial difficulties.

### **Staffing costs**

The school carefully monitors its expenditure on staffing costs to ensure that a proportion of the overall funding remains available to meet other costs. However, the headteacher acknowledged that the percentage of funding being spent on staffing had increased over the previous five years and that this would be something which would need to be monitored in the future to ensure that level of funding for staffing did not increase further and left sufficient disposable income.

### **Capital funds**

Some frustration was expressed over the local authority's allocation of funding for capital projects. Due to competent financial management the school had self-funded several capital projects in previous years and had received little financial support from the local authority. In light of this, the school felt that more financial support from the local authority for outstanding capital projects should be given.

### **Targeted funding**

The school is funded at basic level (i.e. it does not attract funding for FSM and social deprivation). In addition, despite the simplification of funding streams under the new arrangements, it was felt that multiple funding streams would continue to exist and would continue to be an administrative burden.

### **Current support**

The consultation system established within the authority was felt to be a particular strength of the support provided. This included full consultation between the school and the local authority regarding any proposed changes to the local funding formula. Similarly, the annual financial updates provided to schools from the local authority were welcomed. In addition, involvement with the Schools Forum meant that the headteacher was well informed about local authority funding issues and able to put forward suggestions and voice concerns to the local authority.

Training for school finance staff is available from the local authority and support is available from central finance staff as necessary including telephone support and advice and in-school support where required.

The level of support received from the local authority was considered to be adequate. In addition, the school felt competent in managing its own finances. Staff felt that no further support would be required from the local authority in assisting the school to plan ahead or manage its finances under the new funding arrangements.



## **Future developments**

- It was felt that the school would like to take more responsibility for its own finances.
- Staff acknowledged the need for increased monitoring and challenge from the local authority as a result of schools' increased autonomy, particularly where schools developed deficit budgets.
- The headteacher felt that an area for future development would be to increase awareness and understanding of financial management at departmental level, for example, by encouraging departmental staff to take more responsibility for financial issues and be more involved budgeting and expenditure for their department (i.e. resources, professional development).

# Case study 7

## Background

### Description of school

A large single-phase junior school with approximately 350 pupils on roll. The school draws pupils from a catchment area of above average per capita income. They have very low numbers of free school meals, but are concerned that, as some parents do not claim eligibility, the school fails to qualify for some additional funding streams. The school has a successful reputation for fundraising and can generate up to £3500 for any one event. This contributes to the school's budget. The present financial circumstances of the school are deemed to be very stable and the school was considered to be in a very good position. The financial expertise was reported to be 'very good' or 'excellent' by the headteacher and governors respectively. The headteacher considered the skills of the administration officer at the school to be amongst the most comprehensive within the authority.

### Description of local authority

A medium-sized metropolitan authority accommodating areas of affluence alongside some of the most deprived wards in the country. It is a middle band authority but is funded at a low level in comparison to most metropolitan authorities due to vast amounts of open space and greenbelt land. The authority has an excellent CPA score. It is currently moving towards unified children's services in advance of the deadline and is consequently in a period of considerable change. There are likely to be a number of changes at school level as a result. Some of these could incur financial difficulties for some schools.

## Key issues

Overall, the new funding arrangements were positively regarded; indeed, the headteacher maintained that they presented more advantages than disadvantages for the school. The multi-year budgets were largely recognised as the most important aspect of the new arrangements as they facilitated longer-term planning. This is particularly important given the falling rolls situation in the authority. It also helps with planning for staffing increments in the school as they currently have a very young staff. The DSG was welcomed for providing greater school autonomy, but, as highlighted by the school's link advisor, the school does not attract any additional funding from the authority due to its relative affluence, so is familiar with receiving its core budget in one main pot. The headteacher and governors valued the school's increased autonomy under the new arrangements: 'Anything that gives us greater

latitude to spend it in our own way is a step in the right direction' (governor). As the school has control over almost every aspect of its budget this has also led to greater planning efficiency: 'Everything was so ad hoc in the past that everyone worked to a very short-term quick fix basis but now it will be much more consistent, much more planned' (headteacher). The school currently collaborates closely with its neighbouring infant's school and the headteacher recognised the potential benefits of greater school collaboration, particularly for dealing with PPA time requirements. For example, they are exploring the possibility of sharing a peripatetic French teacher across a group of schools. The possibility to plan more long term is helping to organise this.

### **Falling rolls**

The authority is facing a loss of 700 primary-aged pupils at the end of this academic year leading to a loss of £2 million of central funds. The school is facing a loss of 40 children over the next two years and an associated drop in funding of £46,000. This will require astute financial planning in order to avoid a redundancy situation but the school is confident that the three-year budget arrangement will ensure that the situation is adequately resolved.

### **Local authority role**

Despite valuing more school autonomy, concern was expressed that the local authority would be 'sidelined' as more money is devolved to schools.

### **Enhanced powers of the Schools Forum**

Some concern was expressed over the increased powers of the Schools Forum, particularly given reduced flexibility at local authority level. The governors were keen to ensure that the forum is accountable to a range of schools.

## **Current support**

The quality of financial support received from the local authority was deemed excellent. A number of services were in place, including a bursar service, the provision of training courses, a financial helpline, annual budget meetings, software, and a simple guide to school finance. The bursar service provides the school with quarterly visits and a financial check. The administration officer described this service as particularly helpful and supportive as it provided her access to skilled personnel whom she could 'bounce off' ideas and issues as she typically deals with the finances alone. The training courses run by the authority were also seen to be particularly useful and had enabled the administration officer at the school to develop a high standard of financial skill. She attends training approximately four times a year. Concerns were expressed that most of the day-to-day knowledge for financial management was held by only one individual in school.

The annual budget meetings are attended by the administration officer, the chair of governors and the headteacher and are described by the governors as 'exceptionally well run'. During this session forthcoming budgets are discussed with the local authority bursar. The software used by the school is currently under review and the administration officer has been involved in the evaluation team.

The headteacher and governors felt that no further assistance was required from the local authority for financial support in school. Indeed the head struggled to see how the authority could improve its support for schools. The governors were extremely satisfied and considered themselves 'lucky' to have such a skilled headteacher and administration officer.

## **Future developments**

- The headteacher and his administration officer have been involved in a consultation exercise for the development of new software to help schools manage multi-year budgets. They are confident that this new software will be effective and have been informed that a training programme is currently being organised. The school's admin officer believes that this training will be key to successful budget planning but expressed concern that it would be expensive for the authority and that the software itself is expensive.
- The administration officer expressed concern that although the support and helpline is 'excellent', she finds that they often need more immediate responses to queries or difficulties and this is currently not available. They currently wait for call-backs from the local authority when problems are encountered but feel a more immediate response would be more useful.
- The administration officer thought it would be useful to have one named person who managed a particular number of specific schools. She feels this would better acquaint local authority staff with individual schools.
- With specific regards to the requirement for more forward planning in finances, the admin officer also called for opportunities to work on live budgets in any training or workshops rather than a hypothetical budget.
- The governors, administration officer and headteacher reported that they are happy to continue as they have always done regarding financial management in the school and have no plans to alter their current set up in the light of the new arrangements.

# Case study 8

## Background

### Description of school

A rural 4–11 primary school with 400 pupils on roll. The school draws pupils from a range of areas, including farming and rural communities, small council developments and private high-cost housing. They have low levels of SEN and FSM. The school does not qualify for any additional funding from grants as these are targeted to more deprived areas in the authority. The headteacher recognises that they do not suffer from social deprivation, but rather rural deprivation and a lack of amenities, facilities and access. The headteacher is supported by a financially astute governing body and a strong administration department. The school's budget is set at just over £1 million.

### Description of local authority

A medium-sized rural authority with an excellent CPA score. The authority is one of the lowest 20 funded authorities nationally. There are pockets of deprivation in the area and some schools are in wards that are amongst the ten per cent worst deprived in the country. However, on a national basis, the authority does not appear deprived. The authority has recently reviewed the way in which they allocate funding to schools to take account of deprivation factors, yet the funding from the Government fails to recognise this.

## Key issues

The headteacher, the chair of governors and link advisor considered the school to be particularly fortunate as it is less detrimentally affected by some of the new financial arrangements than its neighbouring schools. For example, as it is relatively large, the fluctuating roll presents less of a problem and they have the capacity and expertise to effectively manage their finances. They possess the expertise to break down the DSG effectively and recognise what the money is intended for – something that is of concern to other schools. The headteacher did not feel the new arrangements awarded any greater flexibility due to a tight local formula that leaves schools with little to be flexible with. The chair of governors and headteacher reported that the most important aspect of the new arrangements for their school would be the multi-year budgets: 'They bring assurance and stability and, for the first time, a genuine ability to plan beyond 12 months' (headteacher). This would allow better staff planning and enable the school to buy in services over a two- or three-year period at reduced costs. It was thought that the new arrangements would provide greater control over funding and

would lead to more school choice over the provision of central services. As the budget is no longer top-sliced for such services by the authority, schools would have a better range and choice of differentiation in terms of what they are paying for.

### **SEN pupils**

Three-year budgets were believed to make it difficult for money to follow SEN pupils.

### **Local authority role**

Despite recognising that the new arrangements may lead to more school choice over the provision of central services, the headteacher feared that this may eventually lead to a situation where no services are retained centrally.

### **Extended school provision**

Concerns over central services have led schools in the area to look at collaborative and cluster arrangements. The head recognised financial benefits from closer working arrangements with other services, particularly given that falling rolls has led to free space in schools. The school currently provides a number of extended activities but the chair of governors expressed concern that the new arrangements may inhibit extended provision due to difficulties of amalgamating different services' budgets.

### **Energy cost rises**

As with all schools, this school is facing unpredicted energy cost rises. In the past, there were greater opportunities for the local authority to top-up school funds in emergency cases. However, as there is now relatively full delegation of funding to schools, there is very little money withheld centrally to help schools out of difficult financial situations.

## **Current support**

All schools in the authority have the opportunity to buy into a service level agreement that is not differentiated but charged apportioned to school size. This provides central monitoring of budgets and monthly budget statements, as well as finance officer support to review budgets at least annually and to look at the forthcoming year's budget. Training is also provided for headteachers and finance officers/school administration officers in terms of monitoring the budgets. There has been more limited support for governor training. The headteacher described the support as ranging from excellent to limited, depending on the expertise of the individual coming into school.

When asked to describe the level of financial expertise in the school, the headteacher explained that: 'We are fortunate. I wouldn't say that we were exceptional' as they have a finance officer on the staff to deal purely with the

school's finances. He recognised that other schools in the authority would not have the capacity, expertise or time amongst staff to provide this. The governors are heavily involved in the financial management of the school.

Given the strength of the financial management team and the governor expertise, it was felt that no extra support was required from the local authority. However, both the headteacher and link advisor recognised this was not indicative of neighbouring schools. The head suggested that a basic induction programme and training in school finances for school governors should be made available to equip them with an overview and information on budgetary control. The governor also requested earlier notification of budgets and a three-year forward planning document (see below).

## **Future developments**

- The authority are currently working in conjunction with headteachers and officers from the finance department to look at a budgetary planning framework that identifies costs and needs. This was predicted to be a valuable tool for schools to use for planning anticipated future needs, pressures and costs.
- The headteacher suggested that a mentoring or induction programme for new headteachers should be implemented nationally to provide financial training and support in the early years of appointment. He also called for a buddy or mentoring system for headteachers and for further training for governing bodies.
- The headteacher believed that a detailed programme of induction should be in place for administrative staff in schools that are dealing with finances. The school has recently appointed a new finance officer with some financial experience. Over the next year they will be training her in school finances through an in-house approach. The link advisor explained that there was a real need for training for finance officers in schools and that this could be provided through the National College for School Leadership.
- The authority is considering federating schools to address viability issues. The headteacher envisaged clusters of schools working together as 'mini LEAs'. They are currently looking at appointing a finance officer, premises staff and catering services based in a secondary school but serving a number of primary schools. The three-year budgets make this more realistically achievable.
- The chair of governors suggested that a three-year forward planning document from the local authority, which sets out the global picture for education and the emerging issues over the next few years, would be useful. This would be useful for

governors to have future challenges predicted and to provide an awareness of requirements of government initiatives and associated costs.

- The chair of governors called for fairer representation on the Schools Forum and predicted that governors would be less willing to be involved in the light of its increased decision-making power.



## Case study 9

### Background

#### Description of school

This school is an oversubscribed, high achieving 11–18 mixed comprehensive in a sought after area of the authority, with around 1750 pupils on roll. Relatively few pupils are eligible for FSM and the percentage of pupils with SEN is below average. It has recently become a Specialist Technology and Engineering school, a training school and has opened a new lifelong learning centre. There is currently a new £3.5 million sports development in progress which is adding to the high number of non-teaching staff employed by the school. The school receives an annual budget of just under £7 million. Over the next few years, the school is facing its first deficit budget of £140,000 but has developed a three-year recovery plan. Given the school's size, there is a large finance department and the school also has a highly skilled governing body.

#### Description of local authority

A medium-sized rural authority with an excellent CPA score. The authority is one of the lowest 20 funded authorities nationally. There are pockets of deprivation in the area and some schools are in wards that are amongst the ten per cent worst deprived in the country. However, on a national basis the authority does not appear deprived. The authority has recently reviewed the way in which they allocate funding to schools to take account of deprivation factors yet the funding from the Government fails to recognise this.

### Key issues

The most important aspect of the new arrangements was perceived by the headteacher and finance officer to be multi-year budgets as this has enabled the school to secure a five-year budget plan and to develop long-term partnerships with external agencies. Multi-year budgets have also provided advanced budget notification and have enabled a three-year recovery plan for their deficit budget to be arranged. The headteacher felt that the DSG would have a minimal effect on the school but expressed concern that merging of the Standards Fund grants may result in a loss of funding. The finance officer and link advisor endorsed the DSG on the grounds that it assures schools of fully delegated funding.

### **School remodelling**

The school is currently experiencing a number of changes and new developments: 'The school doesn't stand still' (governor). The link advisor described the school as one that the headteacher has successfully remodelled, yet contrary to government predictions, this has not saved the school any money.

### **Running costs**

Staffing costs in the school are very high as many employees have hit the pay threshold. The school run their own catering company as the service from the local authority ceased to exist. However, this is yet to generate any profit. The site is expensive to run, particularly given the swimming facilities, yet they receive no extra funding to account for this.

### **Lack of flexibility**

As the authority is so poorly funded, the headteacher explained that they have no flexibility over their finances and that the new arrangements have failed to amend this situation. According to the finance officer, this impacts on what they can deliver to the pupils. The school generates its own income to achieve flexibility: 'Everything I do has to be self-financing as there is nothing extra in the pot to throw in' (headteacher). The headteacher explained that the school has to be entrepreneurial in its approach in order to fund the basic resources for their pupils.

### **Budget monitoring**

Given the rapid changes taking place in school, interviewees highlighted difficulties over accounting for the associated funding streams. They have spent £12 million on the school site in the last four years and they have had to manage various grants, loans, local authority funding and to deal with devolved capital: 'It is becoming a nightmare' (headteacher). In such a situation, the headteacher rated strict budget monitoring as imperative.

### **Current support**

The school is a bank-account school and buys into payroll and personnel services. A local authority finance officer visits the school to work on the three-year budget and to check how the school budget is running. The school provides monthly monitoring reports to the authority who check them and address any problems as they arise. The school have access to telephone support. The authority have provided training for software packages and staff at the school have recently attended a training session for headteachers, governors and finance officers to update them on the new arrangements. Training sessions are attended by a variety of personnel on the school's finance team which has established a broad skills base. The finance officer spoke highly of the local authority staff dedicated to support bank account

schools. Interviewees reported a close working relationship between themselves and the local authority, particularly given the additional support required in the light of the new sports build.

The headteacher described the local authority support as very helpful and felt that no additional assistance was required. However, when the school was struggling with financial management (four years ago, when the headteacher took over) they had to buy in support from a neighbouring local authority. As their own authority was so poorly funded, they lacked the capacity to employ peripatetic bursars for schools to buy into. Both the headteacher and finance officer expressed concern that, if schools faced difficulties, the local authority would not have the capacity to provide any further support.

The headteacher, finance officer, link advisor and finance governor were all satisfied with the level of financial expertise in the school and considered this adequate to deal with the new arrangements: 'The thought and expertise are there to solve problems before they arise' (governor). The governing body is heavily involved in financial management. The finance officer has recently completed a Certificate of School Business Management (CSBM) qualification with the National College for School Leadership (NCSL). They also have a retired accountant on the team and staff with business, banking and procurement experience: 'I feel the skills I have on my team are a great advantage to the school' (finance officer). However, the finance officer reported that the monitoring arrangements are becoming challenging given schools' greater accountability.

## Future developments

- In response to local authority suggestions, the school is considering providing financial support to their feeder primary schools in the light of the diminishing role of the local authority. In order to do this the school would need to employ appropriate personnel requiring high wages to match skill levels. Attracting individuals with the appropriate skills (ability to work with a range of schools' budgets, to work in partnership, to be trustworthy and confidential) would not be possible on the current pay scale at the school.
- The headteacher felt that, although the Financial Management Standard would be achievable in this school by 2007, she predicted that other schools, with fewer resources and a less robust finance team, would struggle. Some concern was expressed by governors and the finance officer: 'There was a lot of questioning as to why another tier of administration is being introduced that predominantly should have been the objective of the audit ... It feels like overkill' (governor). Furthermore, reaching the standard would require additional and hard to find

time from governors and finance staff who may not feel they have the financial acumen to complete the expectations.

- The school is looking to develop its financial management by enrolling more staff on the CSBM and by gaining experience of dealing with VAT. The finance officer believed that they would continually develop in the light of new initiatives and as a prerequisite to the extended schooling agenda of 2010.
- The school is looking to open for 52 weeks of the year so that its new resources are utilised most efficiently. This incurs additional costs for the school and as a consequence it 'has to think very seriously, like a business, about income generation' (link advisor). It is imperative that these are self-funding services. The base funding for the school will not cover the staffing costs of the new facilities so these staff will be earning their own wage: 'This is a big challenge and a big shift' (link advisor).

# Case Study 10

## Background

### Description of school

An 11–18 comprehensive school, drawing its 1250 pupils from an area of reasonable affluence where parents have high expectations. Fifteen per cent of pupils at the school are black and ethnic minority pupils (largely Somalian) who live at some distance from the school in a more socially deprived area of the city. The school has low numbers of SEN and most students are not eligible for FSM. This means that the school does not receive targeted funding from the local authority. The level of financial management in the school was viewed as 'very high' by both the headteacher and the bursar.

### Description of local authority

A medium-sized metropolitan authority accommodating areas of affluence alongside some of the most deprived wards in the country. It is a middle band authority but is funded at a low level in comparison to most metropolitan authorities due to vast amounts of open space and greenbelt land. The authority has an excellent CPA score. It is currently moving towards unified children's services in advance of the deadline and is consequently in a period of considerable change. There are likely to be a number of changes at school level as a result. Some of these could incur financial difficulties for some schools.

## Key issues

The headteacher felt that the new arrangements were all potentially positive but that there needed to be some degree of responsiveness in the system. She also felt that there needs to be a transitional period that allows schools to deal with the new arrangements in a progressive way.

### Targeted funding

This year, the school's budget situation is 'considerably worse' than they had anticipated and they attribute this to the merging of the Standards Fund grants and also losses of major funding streams, such as LIG funding. The governor (chair of the finance committee) described the position where 'new money' for schools turned out to be 'old money' as 'intolerable for school planning'. However, the bursar and the governor welcomed the move towards the merging of Standards Fund grants as 'it makes it easier having one separately manageable pot' (bursar) and 'if it was all one figure, it would not matter where it came from' (governor).

### **Lack of transparency**

The headteacher suggested that the translation of the DSG into the local authority formula lacked transparency: 'It doesn't feel right and we don't quite understand why or see it comparatively with other schools.' The bursar reiterated this: 'The formula is so mind numbingly complicated.' The governor also stated that planning ahead is difficult when the local formula keeps changing. He called for a period of stability, which he described as 'the foundation of forward planning'.

### **Provision for ethnic minority students**

Fifteen per cent of the school's population is Somalian. However, as the Ethnic Minority Achievement Grant (EMAG) has been frozen and some of the Standards Fund grants are now targeted on deprivation, the headteacher is concerned that some disadvantaged sections of the school's community are not adequately funded. The bursar also noted that the school does not receive 'anything like enough to fund the ethnic minority support that we employ'.

### **Limited long-term planning**

The bursar explained that they had not begun to work on a three-year budget basis yet primarily because the means of funding and government legislation change year-on-year and also because efforts are largely channelled into budgeting for the current year. He finds that substantial elements of money are not always released when the budgets are first presented to schools and that this limits long-term planning ability. The governor reiterated this view, stating that uncertainty about funding and the number of variables involved 'makes it difficult to plan one year ahead, let alone three.' He thought that the introduction of multi-year budgets would facilitate forward planning.

## **Current support**

The school currently has the option to buy into different levels of a package provided by the local authority. It was reported that they receive clear information at an early stage regarding budgets and have annual budget interviews. The school access the financial helpdesk for telephone support and usually receive an immediate response. The local authority also provides training courses relating to financial management that the bursar attends. The headteacher is a member on the Schools Forum and considers this an additional support mechanism as it provides a conduit of information for headteacher networks.

The level of financial management in the school was viewed as very good by the headteacher. The school has a full governing body and a finance committee that is chaired by a very financially astute governor (a qualified accountant with years of

experience in corporate finance): 'I feel so secure with the chair. He has endless business experience at a very high level. He asks all the right questions ... He makes me feel very safe.' The school's bursar, who has been with the school for nine years, previously worked for the local authority and, according to the headteacher, 'is very, very capable, thorough and meticulous, and manages it all in a very efficient way'. The bursar attends the local Secondary Bursars Association which meet together to discuss current issues. Some of the primary financial managers have started to attend this group.

The headteacher explained that the main frustration over the budget process is the ability of the finance department in the local authority to collate all of the budgetary information so that they get a complete picture of the school's financial situation at an early enough point. In-year changes are also difficult to manage and limit the ability to plan ahead effectively. The bursar felt that no further support was required by the school and was confident that the school already met the financial management standards. He described a robust financial policy and explained that internal auditors have frequently commented on the quality of the financial procedures and policies in place.

## Future developments

- The school is part of Building Schools for the Future (BSF) and they will be a Private Finance Initiative school by 2008. The headteacher expressed concern that 'we won't have the financial wherewithal to manage the change'. They have lost their devolved capital and money for ICT already and are apprehensive about how they will move from their current financial situation to where they need to be in the future. The new school will also change some of the current financial arrangements and relationships with finance in terms of facilities management etc. The headteacher is keen that the bursar is centrally involved in the BSF project to ease the transition.
- The headteacher explained that they will not be seeking to collaborate more closely with other services until the service district in which the school is based comes on stream. She hopes that, by this point, they will be clear about the new budget arrangements, that their finances will have settled down, that they are in their new school and that they are in a better position to work out what the school can offer in the light of the new building. Due to funding restrictions, they are concentrating on their current situation: 'We're pulling in our horns now and thinking about what we deliver here, what we're accountable for and making sure we do that' (headteacher).
- The bursar felt that more transparency over how the local formula is calculated would be useful. He also suggested that some information should be targeted at

bursars, or similar personnel, rather than just headteachers so that appropriate staff were kept more closely and reliably informed of any budgetary changes etc.

- The bursar is planning to delegate some of his duties to a new member of the administration staff, bought in as a result of workforce reform, in order to cope with the financial changes of the BSF project.
- The school governor suggested school bursars may have a role in the Schools Forum in improving the level of understanding of the financial problems of schools.



## 9 Concluding remarks

The findings presented in this report are a collation of interviewees' predictions concerning the implications of the new funding arrangements and, as such, different perspectives on a range of issues, based on differing individual experiences and value frames, are identified. In some areas, there tends to be a clear majority view, whilst in others views are more disparate. By way of a summary, some of the issues about which there appears to be a consensus are highlighted before moving on to focus on those where there tended to be more disparate views. In this way, the findings point to important areas for local authorities to monitor during the course of the implementation of the new funding arrangements.

There was general agreement amongst headteachers on a number of points. There was, for example, a general consensus that the new funding arrangements would increase stability (and the ability to plan ahead), provide greater flexibility in the use of funding and greater transparency, as well as providing assured funding for schools through the introduction of the DSG,. There was general agreement that the combining of Standards Fund grants would have the advantages of simplification and the freedom to allocate funds according to need, provided that the intended purpose was clear and funding was not reduced. The schools within the sample viewed the current support provided by local authorities with positive regard. There was a concern that the introduction of the DSG may lead to a reduction in local authority services for schools and the need for local authorities to continue to provide both challenge and support was highlighted.

There was less agreement amongst headteachers on a number of other issues, in particular, the enhanced

role of the Schools Forum and the implications of the new funding arrangement for partnership working, both between schools and other agencies, and between schools. This suggests that there are certain areas which may need to be closely monitored by local authorities as the new funding arrangements come into effect. Further research into the reality of the impact of the new arrangements is also warranted.

Overall, as a result of the introduction of the new funding arrangements, a number of questions have been raised for consideration:

- How will the greater certainty of school funding promised by the new arrangements be balanced against the need to have in-built flexibility to take into account fluctuations in pupil numbers and changing school circumstances?
- To what extent can the support and challenge role of the local authorities be balanced against the increasing financial autonomy of schools?
- How important is the local authority role in sustaining the necessary level of financial expertise within schools and, if this support were in jeopardy, how can the gap be narrowed between schools whose staff feel competent and confident in their financial management abilities and those who feel they lack the required financial skills?
- How can the current climate of increasing school autonomy, together with competition between schools, be married with more collaborative working practices between schools?

# LGA educational research programme

The LGA Educational Research Programme is carried out by the NFER. The research projects cover topics and perspectives that are of special interest to local authorities. All the reports are published and disseminated by the NFER, with separate executive summaries.

The summaries, and more information about this series, are available free of charge at [www.nfer.ac.uk/research-areas/local-government-association](http://www.nfer.ac.uk/research-areas/local-government-association).



## Annual survey of trends in secondary education: report of 2005

The *Annual survey of trends in secondary education* is the first of a regular survey of secondary school headteachers, which provides a 'snapshot' of the current position in secondary education. The report is accompanied by a free colour digest of the findings supported by clear diagrams and useful references.

ISBN 1 905314 18 3, £13.00 (including free digest)



## School funding: what next? Local authority and school views

Revisions to the funding arrangements for schools by the Government in the 2003–04 financial year raised concerns that these new arrangements may exacerbate the unfair aspects of the present system, creating significant 'losers'. The LGA commissioned the NFER to conduct this study on the impact of these changes.

ISBN 1 903880 91 2, £15.99



## School funding: a review of existing models in European and OECD countries

This report interrogates the literature for alternative models of educational funding from other countries, as well as examining the literature for their strengths and weaknesses. The report provides a review of existing models of school funding in European and OECD countries and the advantages and disadvantages of each model.

ISBN 1 903880 92 0, £11.99

For more information, or to buy any of these publications, please contact: The Publications Unit, National Foundation for Educational Research, The Mere, Upton Park, Slough, Berkshire SL1 2DQ, tel: +44 (0)1753 637002, fax: +44 (0)1753 637280, email: [book.sales@nfer.ac.uk](mailto:book.sales@nfer.ac.uk), web: [www.nfer.ac.uk/bookshop](http://www.nfer.ac.uk/bookshop).

For further information, please contact the  
Local Government Association at:

Local Government House, Smith Square,  
London SW1P 3HZ  
Telephone 020 7664 3000  
Fax 020 7664 3030  
Email [info@lga.gov.uk](mailto:info@lga.gov.uk)  
Website [www.lga.gov.uk](http://www.lga.gov.uk)

**or telephone the general information  
helpline on 020 7664 3131**

For further information on the research or  
to purchase further copies, contact:  
Publications Unit  
National Foundation for Educational Research  
The Mere, Upton Park, Slough  
Berkshire SL1 2DQ  
Telephone 01753 637002  
Fax 01753 637280  
Email [book.sales@nfer.ac.uk](mailto:book.sales@nfer.ac.uk)  
[www.nfer.ac.uk/bookshop](http://www.nfer.ac.uk/bookshop)

ISBN 1 905314 20 5  
Code No. SR214