

# Investing for the future, protecting the front line:

school funding 2010–13



# Ministerial foreword



Over the past 12 years, our education system has been rebuilt on foundations of inspirational teaching, great school leadership and sustained record investment.

We now have almost 3,500 Sure Start children's centres compared to none in 1997, nearly 4,000 schools have been rebuilt or refurbished, per pupil funding has more than doubled and over 42,000 more teachers and 212,000 more support staff have been recruited.

As a result, outcomes for children and young people have improved dramatically, we have many more outstanding schools and many fewer underperforming schools and our education system has gone from below average in the world to well above average.

But our ambition is to have a world-class schools system in which there is excellence not just for some but for all and where every pupil gets the support they need to overcome the additional barriers they face.

We set out the next stage of our reforms to achieve this ambition in our White Paper *Your child, your schools, our future: building a 21st century schools system*.

But we also know that we will have to do so in tougher times.

In the Pre-Budget Report, the Chancellor of the Exchequer said that he will protect front-line spending on the police, the health service and in our schools.

In the case of schools, we also know that we will have to make tough choices and identify savings across the Department for Children, Schools and Families (DCSF) budget.

And today I am setting out details of the savings that I have identified so far; providing more information about the real terms rises in school funding to help schools and local authorities plan for the next three years in advance of further details in the autumn; and launching a further consultation following our review of the Dedicated Schools Grant.

The Pre-Budget Report confirmed that from 2011-13 funding for Sure Start will continue to rise in line with inflation; funding for 16-19 learning will rise by 0.9 per cent year on year with an extra £202m this year to meet our September Guarantee; and funding for schools will increase by 0.7 per cent in real terms, which at current inflation levels will mean a cash increase of 2.7 per cent. This comes on top of real terms increases of 2.4 per cent, or cash increases per pupil of 4.3 per cent, in 2010-11.

This means that 75 per cent of the DCSF Budget has been protected and we can:

- deliver our pupil and parent guarantees including one-to-one tuition for all children in primary school and Year 7 who fall behind;

- ensure there is strong discipline and good behaviour in every school;
- meet our September guarantee to all school leavers of a place in college or training;
- maintain our additional teachers and support staff;
- and in addition, take forward our Building Schools for the Future pledge to rebuild or refurbish all secondary schools. We have announced a further tranche of BSF projects: £418.3m will be invested across Buckinghamshire, Cornwall, Gateshead, Lincolnshire, Oxfordshire and Sutton.

By 2013, the Chancellor also said that I will need to find £500m in savings from my non-protected spending, which leaving aside the teachers' pension scheme accounts for 8 per cent of the DCSF's £63bn resource budget.

This is equivalent to a 7 per cent cut and requires tough choices.

I have so far identified savings of over £300m, including: £135m from our NDPBs with significant reductions in funding for Becta and the TDA; £100m by ending start-up funding for extended services now that 95 per cent of schools already offer access to them; £50m by scaling back bursaries for initial teacher training now that we have a steady flow of new teachers; and £5m in savings from communications budgets including by moving Teachers' TV online. At the same time the Department will save a further £8m per year from the costs of its back office functions, by sharing services with other government departments.

We still have further work to identify savings without cutting into programmes such as short breaks for disabled children, music, sport or support for looked-after children because I am determined to do whatever it takes to protect the front line.

Real terms increases in schools funding of 0.7 per cent, or 2.7 per cent cash at current levels of inflation, mean we can resource increasing pupil numbers – a projected further 80,000 pupils – and still increase per pupil funding by 2.1 per cent in cash. This means we can resource our priorities:

- ensure one-to-one tuition can be maintained in KS2 and year 7 and expanded to KS1, delivering our "3Rs" guarantee;
- maintain the subsidy for extended services, supporting a richer and broader school experience for all pupils but particularly those from more deprived backgrounds;
- resource new or improved areas of provision, such as ensuring parents are able to secure a school place from the September following their child's 4th birthday, as recommended by Sir Jim Rose; and
- ensure continued protection of core frontline provision for children in schools and thus delivery of our pupil and parent guarantees.

For the same period, we expect average cost pressures of 1.6 per cent cash per pupil. This means that schools on average will be able to meet their cost pressures from within their overall increase.

The actual level of increase in funding for each individual school will vary. It will depend on each school's own particular needs; local decisions about how best to meet needs; and the conclusion of the consultation I am beginning today on the distribution of the Dedicated Schools Grant.

However, as in the past, we will protect schools by setting a minimum funding guarantee (MFG): a guaranteed per pupil increase in their like-for-like budget. We will, as usual, set the exact level of the MFG in the autumn, but it will certainly guarantee all schools increasing per pupil budgets in cash terms. Of course, the majority of schools will receive higher funding increases than the MFG – as is the case with three quarters of schools this year.

Every school faces different challenges and some schools face greater challenges than others.

We know that results have been rising fastest of all in schools in the areas with the greatest deprivation and the gap has been narrowing.

But we have much more to do and we are determined to tighten the link between deprivation and school budgets so that schools with the greatest proportion of pupils from disadvantaged backgrounds get the additional resources they need.

We have been reviewing the Dedicated Schools Grant to ensure that funding is distributed fairly, transparently and responds to the needs of children and young people, and today have published the *Consultation on the future distribution of school funding*.

Currently, around £3bn is allocated to local authorities as additional deprivation funding through the Dedicated Schools Grant, rising to nearly £4bn including other grants.

In the past, local authorities have not always passed on all of this funding to schools on the basis of deprivation and we have already made it clear to local authorities that we expect them to do so in the future.

But to ensure that all schools who take on pupils from disadvantaged backgrounds get the additional resources they need and still have the flexibility to decide how they use deprivation funding, it is also our intention to require local authorities to use a Local Pupil Premium to distribute deprivation funding, based on their own local decisions of how best to measure deprivation, and to increase it gradually before 100 per cent of deprivation funding is passed on appropriately by 2014-15.

During our review, we received some representations that a nationally-set pupil premium should be implemented.

However, a nationally-set pupil premium would not take account of local need, would prescribe a single amount of funding to overcome deprivation across the whole country and would, according to the Institute of Fiscal Studies, require severe and immediate cuts to school budgets or other public services to pay for it.

So it is also our intention that the definition and therefore the level of the pupil premium is agreed locally so that it can properly reflect local need, circumstances and challenges.

It is however vital that all schools make savings to enable schools collectively to meet all cost pressures, ensure investment in our key priority areas, allow progress to be made on delivering a fairer funding system without creating damaging instability for schools funded at the MFG, and use their resources to best effect to maximise investment in improving outcomes for their pupils. So alongside a real terms rise in school funding of 0.7 per cent, (a cash increase of 2.7 per cent), we have also set schools challenging but achievable efficiency targets of 0.9 per cent or £650m

across the school system as a whole which will enable them to meet cost pressures and continue to deliver improved outcomes for pupils.

It should be possible for schools, across the piece, to save in excess of this. We believe schools could go further and potentially make efficiency savings of up to £950m, providing up to £300m extra savings which could be recycled by schools to spend themselves on their priorities to support every child.

We published a discussion document on efficiencies – *Securing our future: using our resources well* – in November last year setting out the areas where we believed schools would be most able to achieve efficiency savings.

I know that school leaders around the country have recognised the progress that needs to be made and are responding vigorously to the challenge of identifying efficiency savings in order to switch resources to the frontline. Around 1,800 schools have already taken up the offer of free financial consultancy support that we have made available to all maintained schools and we expect many more schools to attend one of the conferences that we have arranged with the National College, the LGA and other organisations.

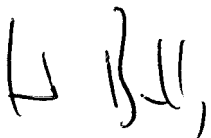
We also announced last week that we will fund 1,000 more primary school bursars.

There is no doubt that this is a tougher settlement than in the past and tough choices have to be made by schools, by local authorities and by government.

I have chosen to protect frontline budgets, pass on real terms increases to schools, make tough choices to find savings in the DCSF unprotected budget and support schools to make efficiencies.

I have also chosen not to create excess places that would deprive existing schools of funds they need and not to introduce a national pupil premium that would require severe and immediate cuts to school budgets.

And I believe those are the right choices for our schools and for the future of our country.



**Ed Balls MP**

Secretary of State for  
Children, Schools and Families

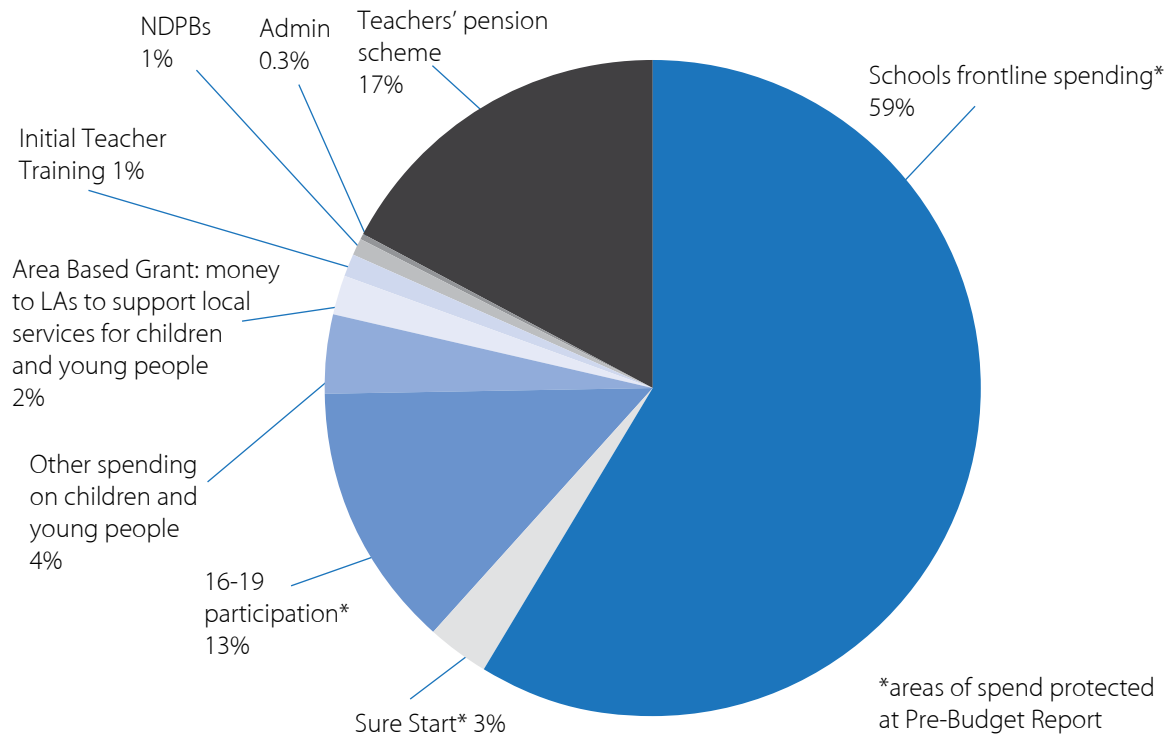
# 1. Overall DCSF funding – maximising resources for the frontline

- 1.1** We are committed to ensuring that every child enjoys their childhood, does well at school and turns 18 with the knowledge, skills and qualifications that will give them the best chance of success in adult life. It is because we are committed to securing the very best for children that this Government has pledged to protect frontline investment in children's outcomes across all ages. The Pre-Budget Report (PBR) announced that in 2011-12 and 2012-13:
- funding for schools will rise by 0.7 per cent in real terms;
  - funding for provision for 16-19 year olds will rise by 0.9 per cent in real terms; and
  - funding for Sure Start will be maintained in real terms.
- 1.2** In addition the PBR announced an extra £202m in 2010-11 for the September School Leavers Guarantee ensuring the costs of funding a place in education or training for every 16 and 17 year old who wants one are met in full.
- 1.3** In this way, the PBR established real terms protection for 75 per cent of the DCSF budget. Excluding teachers' pensions, which make up a further 17 per cent of the budget<sup>1</sup>, funding for the remaining 8 per cent of the budget will be determined at the time of the Spending Review. This includes central resources to drive school improvement, such as the city challenge programmes; resources for teacher training and resources to support families. These are also key areas of investment to support schools in their role. A full breakdown of DCSF resource spending is set out below:

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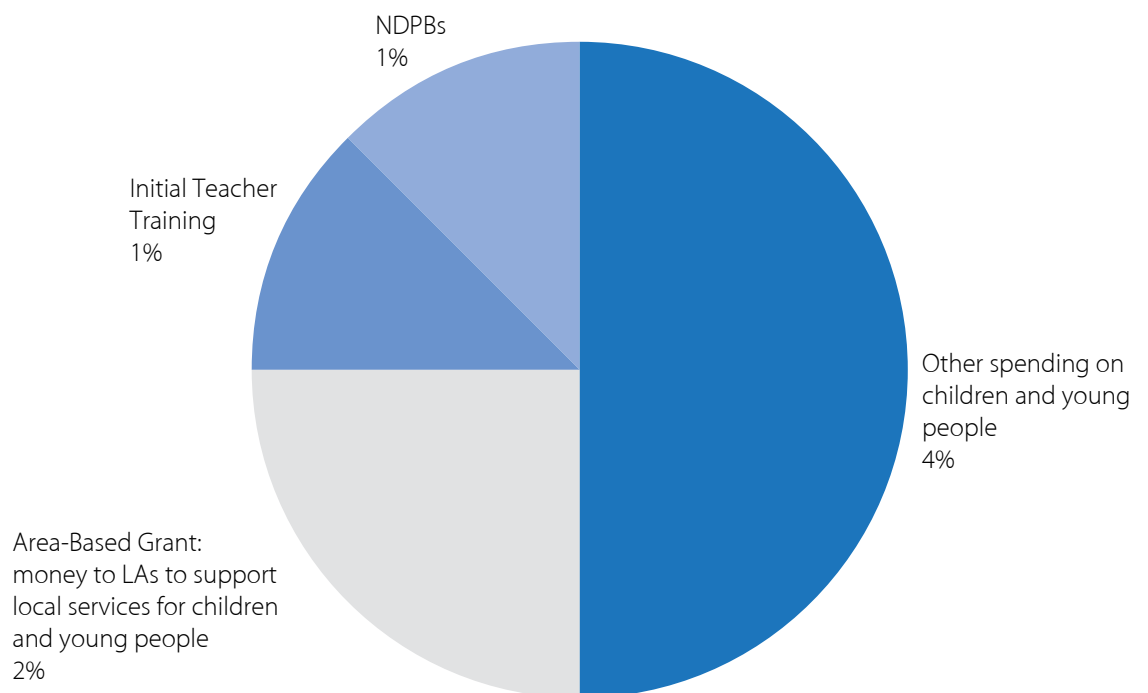
<sup>1</sup> 17 per cent relates to the teachers' pension scheme. Of this £11bn component, £2bn relates to the net current cost for pensions and the remainder is a reflection of the interest on the future liabilities of the scheme and therefore a necessary accounting provision.

**Breakdown of spending: total = £63bn**



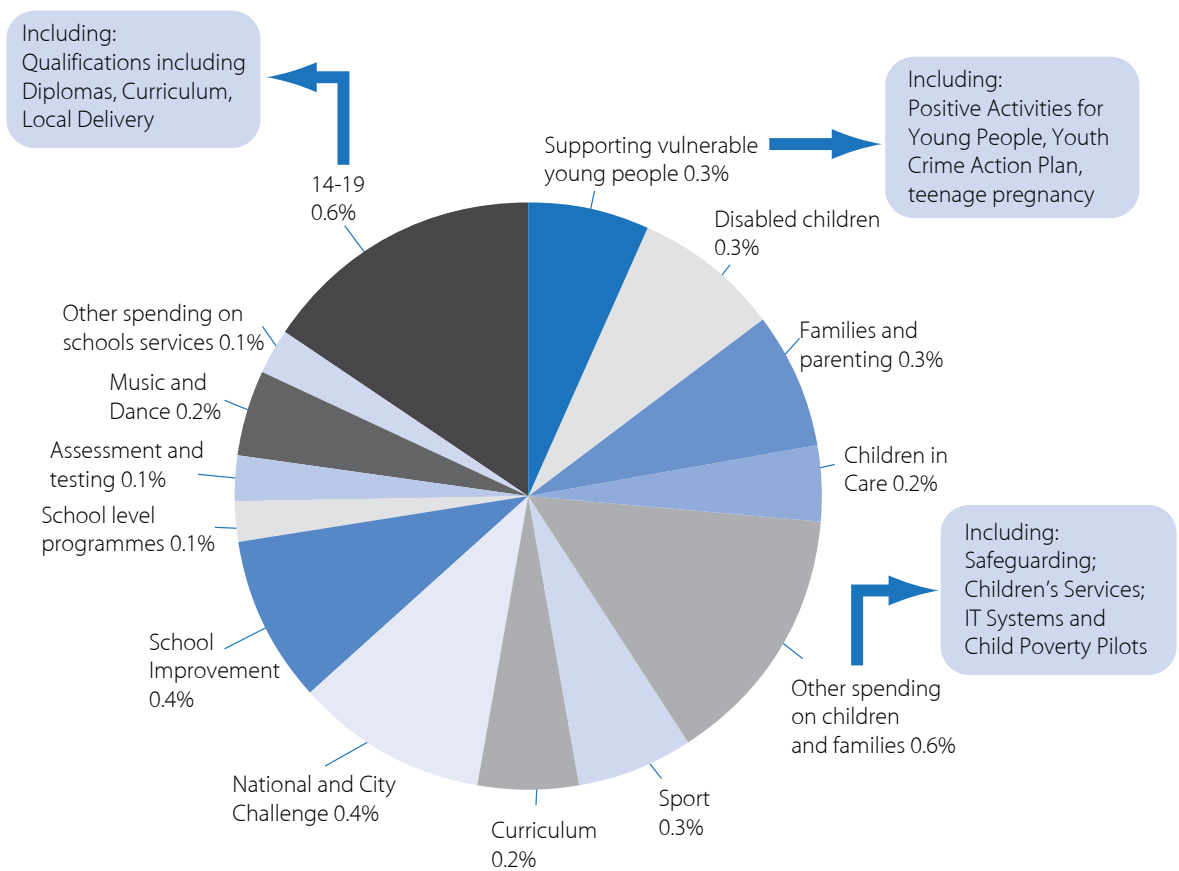
**1.4** The charts show that the 75 per cent of DCSF spending goes straight to frontline services – to schools, colleges, Children’s Centres and early years providers. 17 per cent reflects the teachers’ pension scheme.

**Breakdown of unsettled (8%)**



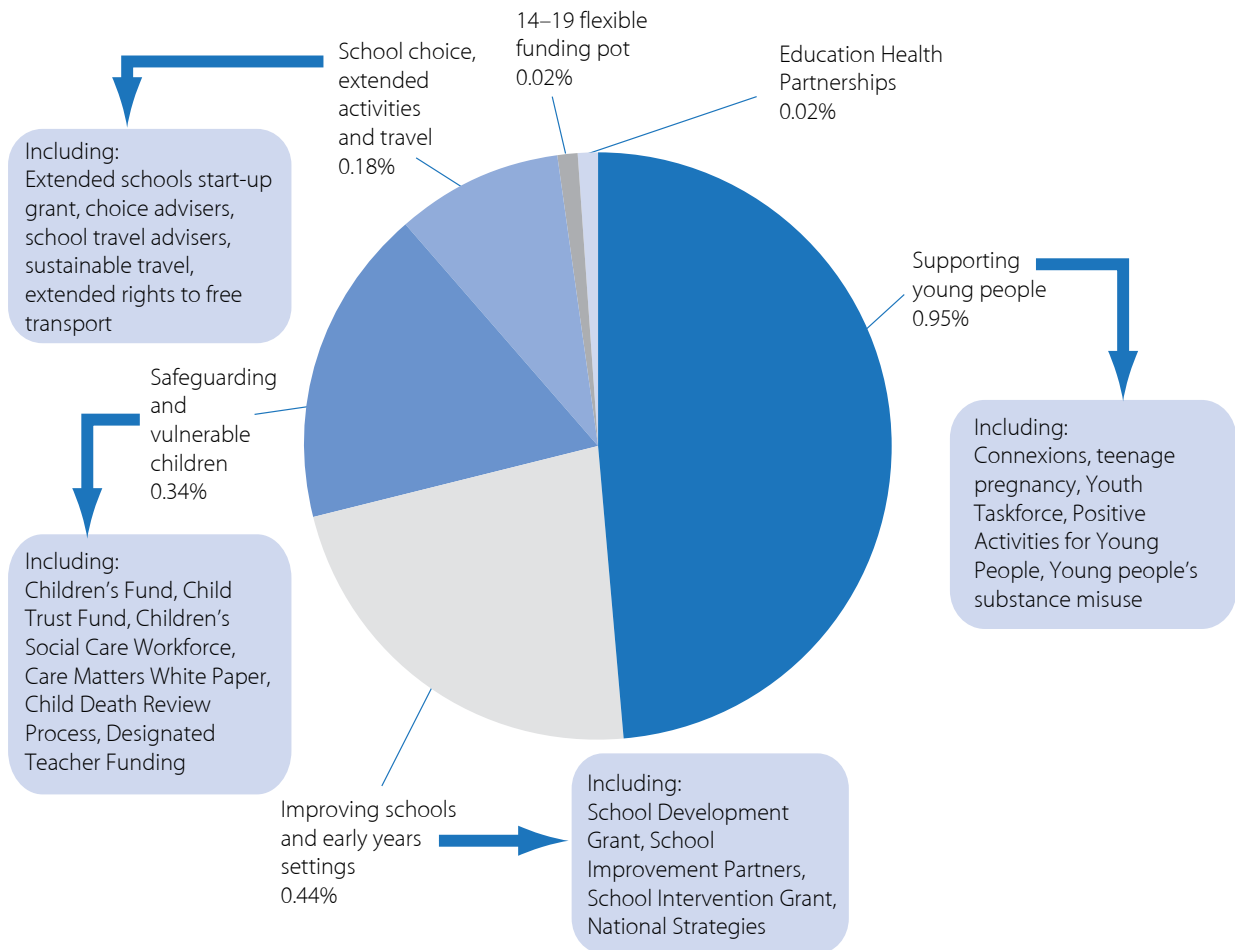
Of the remaining 8% of the budget, 1 per cent of our budget goes towards supporting teachers, through initial teacher training to make sure we have the teachers we need in the future. A further 2 per cent of our budget goes directly to local authorities in Area-Based Grant to be spent on local services for children and young people – for example information, advice and guidance services for young people through Connexions, positive activities for young people, and support services for children in care. Only around 5 per cent of the DCSF budget is spent directly by the DCSF and its arms-length bodies (NDPBs). This breakdown is illustrated in the diagrams below.

**Further breakdown of the ‘other spending on children and young people’**





### Breakdown of Area Based Grant (2%)



**1.5** We know that if in tough times we are to protect the frontline and ensure it can continue to deliver high-quality services to children and young people, we need to drive efficiencies and make tough choices about reducing direct spending by DCSF and its partners. At the PBR we committed to finding £500m savings across 2011-12 and 2012-13 from these unprotected areas, (£150m in the first year and £350m in the second which equates to a 7 per cent cut to non-settled budgets in the second year) and we now set out more details of this below.

**1.6** To make the most of our investments in the frontline, over the past 5 years we have had a relentless focus on reducing our own costs. This has involved a range of activity, looking at our staff numbers, procurement, facilities and estates and how our NDPB and inspection partners work. Between 2004 and 2009 we have reduced DCSF staff numbers by 1,465 so that we work in an effective and focused way, concentrating our resources where they have the most benefit and impact. In order to ensure that our workforce offers the best value for money we have relocated 1,130 jobs out of London and the South East. We have made significant savings on our estate costs through reducing in 2008 to one building in London, which does and will continue to save £12m a year. We have made significant reductions of £36.3m on our back office costs.

- 1.7** We know though that we must continue to scrutinise our costs and make significant savings in the future, and have recently introduced a corporate services transformation programme which will save us £8m per year going forward from our HR, finance and procurement costs.

## Arms length bodies

- 1.8** As well as looking at our own department we have also looked to our partners to offer increased value for money, whilst maintaining their frontline work. We have rationalised inspectorates and reduced the cost of inspection, which is now 30 per cent less than it was in 2004, and Ofsted has also reduced its staff numbers in this period by 743. We have also pushed our NDPB partners to meet us in this drive for efficiency and have asked them to make 5 per cent administration savings year on year. These reductions in admin budgets have led to savings of over £88.5m so far.<sup>2</sup>
- 1.9** To go further, a key part of the £500m package will therefore come from significant reductions in our NDPB budgets alongside reductions in many areas of central provision, consistent with the White Paper *Your child, your schools, our future: building a 21st century schools system* which seeks to devolve more control to schools.
- 1.10** Over the last 12 years, it has been necessary to support schools in specific areas, such as workforce reform, developing the use of technology and delivering the curriculum. Improvements in schools have been underpinned by the Workforce Agreement, which has contributed to raising standards and tackling workload. The Government remains committed to the agreement and to implementing it, working closely with social partners and schools.
- 1.11** But the next phase of reform, building on the widespread excellence that now exists, needs to be based largely upon schools learning from one another. So we will be looking at the functions of our NDPBs to ensure that they focus on their particular specialist expertise and scale back their fieldforces. At the same time, we will build capacity within our schools for them to take control of their own improvement, drawing on NDPB expertise as meets their needs.

## DCSF central spending

- 1.12** The department is looking very closely at the remainder of its budget to find further savings in order to protect the frontline and other key areas of provision. It will require tough choices about the activities we will be able to support in future. We will save £100m over 2011-12 and 2012-13 by ending the start-up funding available to local authorities and schools for extended services. This funding was always meant to be time-limited, as a means of helping schools to develop their services. Over 95 per cent of schools now offer extended services and we expect all to be doing so later this year. Core funding for extended services (over £300m per year) is protected in real terms so that

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<sup>2</sup> This includes NDPBs that were part of the DFES group and are now based in BIS

schools can continue to run after school clubs and services and subsidise children from low-income families to participate in the activities on offer.

- 1.13** We have had huge success in making teaching a profession of choice and we have the best generation of teachers ever in our schools. We will continue to protect core funding for initial training and the recruitment of teachers to secure the best in the future. However, given the very buoyant recruitment market in many areas, we have made reductions to the level of some bursaries for recruits to initial teacher training which will generate savings of the order of £50m in the 2011-13 period. These changes will come in for postgraduate students starting in September 2010, the basic bursary of £4,000 will still apply to all postgraduate courses and some subjects will continue to be eligible for bursaries of £6,000 and £9,000 as before.
- 1.14** We will also save £5m from our communications expenditure over the two years 2011-12 and 2012-13, almost half of which will come from changes to the way we operate Teachers TV. We want to close down the TV channel element and move – what has become a popular resource for teachers – into an online, on-demand service.
- 1.15** In total, so far, we have identified from unprotected budgets savings of over £300m out of the £500m needed, so there is more work to be done. At the same time the Department will save a further £8m per year from the costs of its back office functions, by sharing services with other government departments.

<b>Savings towards the £500m target (£m)</b>	<b>2011-12</b>	<b>2012-13</b>
NDPBs	48.5	86.5
<i>Of which</i>		
<i>Becta</i>	20	25
<i>Training and Development Agency</i>	15	40
<i>National College</i>	2	5
<i>School Food Trust</i>	0	3
<i>QCDA/Ofqual</i>	7.5	12
Extended schools start-up funding	30	71
Reduction in the levels of some bursaries for Initial Teacher Training	19	29
Central admin and communications	10.5	10.5
<i>Of which</i>		
<i>Teachers TV becoming an online, on demand service</i>	1	1
<b>Total</b>	<b>108</b>	<b>197</b>
Total left to find	42	153

## 2. The case for continued investment on a strong foundation

- 2.1** By combining extra real terms investment, in the core services of early years, Sure Start, schools and colleges, with efficiency savings we will be able to meet frontline spending needs and deliver our guarantees to pupils, parents and school leavers to meet our Children's Plan commitments.
- 2.2** World class schools and world class standards are central to achieving our ambitions for children. This means having schools that are well resourced; that have excellent leadership and teaching; that utilise a broad mix of staff able to play their part in helping children develop, working effectively with other services as necessary; that have excellent facilities; and are able to provide a wide-ranging and full curriculum offer. The entitlements which we have set out in our pupil and parent guarantees are fundamental to ensuring every child has the opportunity to achieve their potential, which is vital for the economic success of our country.
- 2.3** We have only been able to move to this comprehensive set of entitlements because of the foundations we have laid in the last 12 years, delivered through the sustained increases in investment:
- revenue funding per pupil between 1997-98 and 2009-10 rose by £2,410 per pupil (83 per cent) in real terms;
  - total funding, including capital, has more than doubled per pupil in real terms between 1997-98 and 2009-10 and will rise to £6,290 per pupil in 2010-11.
- 2.4** Through these resources, we have been able to greatly increase the status, reputation and quality of the teaching profession. Schools have been able to recruit 42,000 additional teachers since 1997 allowing smaller class sizes, more personal attention through small group and one-to-one provision, and a greater range of curriculum provision. The wider school workforce has also expanded significantly with now over a million people in schools or other settings working to support children in their education and development, allowing teachers to concentrate on teaching. Schools now receive much greater certainty and stability in their funding levels to assist them in planning their budgets efficiently through the creation of the Dedicated Schools Grant, multi-year settlements and guaranteed minimum funding increases (the Minimum Funding Guarantee).

- 2.5** This investment has been critical for securing the improvements in provision and in outcomes that we have seen in the last 12 years:
- since 1997, school standards, measured by the average attainment of the pupil cohort, have risen steeply, with strong improvement in national tests and examinations. In primary schools, the rise has been sustained and consistent. In 2009, 80 per cent of pupils achieved at least Level 4 (national expectations) in Key stage 2 English, and 79 per cent in mathematics, whereas in 1997 these figures were 63 per cent and 62 per cent respectively.
  - there is a similar picture for secondary schools. In 1997, 45 per cent of 15 year olds achieved 5 A\*-C grades at GCSE or equivalent, and an estimated 36 per cent achieved the tougher measure of five A\*-C grades including both English and mathematics. By 2009, these figures had risen to 70 per cent and 50 per cent respectively.
  - over 20,000 schools (95 per cent) are now providing access to the core offer of extended services based on the needs of their local community, ensuring the necessary focus on healthy and successful child development as well as strong educational outcomes.
- 2.6** Independent international evidence endorses this national progress. The 2007 *Trends in International Mathematics and Science Study* (TIMSS) reported that children in England have made significant gains in mathematics since 2003/04 and are continuing to achieve excellent results in science. In both subjects and at age 11 and 14, children in England perform in the top ten of the 59 countries studied.
- 2.7** However, the challenges ahead are significant. Children will need a greater range of skills and knowledge to succeed in the modern economy. They will need to be more flexible and resilient to manage in an economy which places ever-evolving demands on the workforce. And collectively, we still need to go further to ensure that children from disadvantaged backgrounds are able to fulfil their potential. These challenges come at a time where the importance of ensuring maximum value is delivered from every pound invested has never been greater.
- 2.8** Because of the significant investment in the school system, schools are well placed to respond to these challenges. The increased investment in resourcing over the last 12 years has created the platform for the world-class education set out in our pupil and parent guarantees. These include ensuring a comprehensive range of support for children falling behind through one-to-one tuition and other dedicated catch-up programmes; individual personal tutors in secondary schools; opportunities to learn across a wide-ranging curriculum and to participate in activities outside the school day. The same platform has allowed us to set out the wider measures included in the White Paper *Your child, your schools, our future – building a 21st century schools system*<sup>3</sup>, such as spreading the impact of great leaders, developing greater collaboration and co-operation between schools and between schools and other services, and strengthening school accountability and improvement.

<sup>3</sup> <http://www.dcsf.gov.uk/21stcenturyschoolssystem/>

**2.9** These steps are all underpinned and enabled by the level of resourcing for schools. This means for the pupil and parent guarantees to be delivered and for the school system to be further improved, there needs to be certainty about the level of resourcing that schools will have combined with steps to optimise the use of this resource. Only through both securing the future level of investment and using these resources effectively can we continue to further enhance the experience our children receive and the outcomes they achieve and thus realise our ambition to make England the best place in the world for children and young people to grow up.

## **The priorities for school funding 2010-13**

**2.10** The Government's priorities for school funding are three-fold:

- to ensure that frontline provision in schools is protected and that schools benefit from a multi-year planning horizon, thus allowing continued progress on the quality of education given to children and young people and the outcomes they achieve. We will do this through delivering much greater savings from non-frontline services and helping schools ensure that maximum value is gained from every pound spent within the schools system, so that public money has the greatest effect it can in improving outcomes for children;
- to ensure that there are sufficient resources to make increased frontline investment in schools which need the most: particularly those serving more disadvantaged communities within each local authority, delivered through a locally-agreed pupil premium. This Local Pupil Premium will ensure that the funding to meet the needs of pupils from more deprived backgrounds is transparent and responsive so schools can be confident that they will be resourced appropriately; and
- to start to move towards a more equitable and fair distribution of funding between local authorities, recognising that the current system of funding is largely based on historical allocations rather than present need.

## 3. The overall level of school funding from 2010-13

- 3.1** Since 2004-05, schools and other front-line services have had multi-year budgets to enable them to plan ahead with more confidence. This is particularly important in schools as academic years span two financial years and schools take resourcing decisions largely on an academic year basis.
- 3.2** Schools will already be receiving their budgets for 2010-11. The PBR confirmed that announced levels of funding for 2010-11 would be maintained and therefore overall schools will benefit from an increase in school budgets (through the Dedicated Schools Grant) of a 2.4 per cent in real terms or a 4.3 per cent per pupil cash increase.
- 3.3** The PBR announced an average annual 0.7 per cent real terms increase for schools across 2011-13. This will be applied to all the core school grants that schools receive and other key areas of pupil provision such as resources for one-to-one provision and extended schools provision. These grants total £37.2bn in 2010-11 and are listed below. We are proposing to roll the majority of these into the Dedicated Schools Grant from 2011-12 to streamline the number of grants to local authorities. The grants covered by the PBR announcement are:
- Dedicated Schools Grant
  - School Standards Grant and School Standards Grant (Personalisation)
  - School Development Grant
  - Ethnic Minority Achievement Grant,
  - Early Years: Extending and increasing the flexibility of the entitlement for 3-4 year olds
  - School Lunch grant
  - Extended Schools grants within the Standards Fund
  - General Annual Grant for all academies
  - Resources devolved to schools for school improvement
  - Funding for one-to-one provision and Every Child interventions.
- 3.4** Schools primarily receive funding according to the number of pupils they have, so the key determinant of the actual budget received by a school is the number of children on roll. This means that schools can more clearly plan on the basis of understanding the increase

they will receive in cash terms and on a per pupil basis which they can then set against their own local assessment of pressures and pupil numbers.

**3.5** The average annual 0.7 per cent real terms increase announced at the PBR is equivalent to an average annual cash increase for 2011-12 and 2012-13 of 2.7 per cent at current projected rates of inflation<sup>4</sup>. The cash increase will be confirmed later in the year: if inflation increases, the cash amount available to schools will increase in proportion to maintain the 0.7 per cent real terms increase announced and vice versa.

**3.6** The table below sets out the indicative increases for each of the three financial years based on current inflation assumptions, and our estimate of cost pressures, discussed below.

	2010-11	2011-12	2012-13	Annual average across 2011-13
Total resources for core school funding £m	37,268	38,099	39,300	
Overall increase in cash terms	4.0%	2.2%	3.2%	2.7%
Increase per pupil in cash terms <sup>1</sup>	4.3%	1.9%	2.3%	2.1%
Estimate of Cost pressures	3.1%	1.9%	1.3%	1.6%

This is based on the Department's projection of pupil numbers on a like-for-like basis. It does not include an estimate of the growth in the full-time equivalent pupil numbers arising from increased take-up of early years provision.

## What this means for individual schools

**3.1** There are a number of calls on the 2.7 per cent cash increase in schools budgets. The first priority for funding is the increase in pupil numbers that are projected over the next few years: over 80,000 more full-time equivalent children by 2012 compared to 2010 due to the increased birth rate since 2001. Even after allowing for demographic projections, this funding would still allow cash increases of 2.1 per cent per pupil.

**3.2** Per pupil increases of 2.1 per cent for 2011-12 and 2012-13 on top of the 4.3 per cent per pupil increase in 2010-11 means that there is sufficient funding to:

- ensure one-to-one tuition can be maintained in KS2 and year 7 and expanded to KS1 delivering our "3Rs" guarantee;
- maintain the subsidy for extended services, supporting a richer and broader school experience for all pupils but particularly those from more deprived backgrounds;
- resource new or improved areas of provision, such as ensuring parents are able to secure a school place from the September following their child's 4th birthday, as recommended by Sir Jim Rose; and

<sup>4</sup> As measured by the GDP deflator set out at the PBR.



- ensure continued protection of core frontline provision for children in schools and thus delivery of our pupil and parent guarantees.

- 3.3** This funding also includes resources for other pupil provision which is organised by the local authority, for example, early years provision in the Private, Voluntary and Independent sector; provision for pupils with special educational needs, resources for alternative provision and other areas of provision such as catering and insurance. It is for local areas to decide which services are best provided on an authority wide basis and which should be for individual schools to deliver. Schools Forums are, rightly, the place where such decisions should be taken and as a result there is considerable variation reflecting local decisions and organisation, with between 6 per cent and 18 per cent of funding spent by the local authority on direct pupil provision on behalf of its schools. Going forward, we would expect an equally strong focus on ensuring efficiencies are found within this area, to ensure resources are used to maximum effect.
- 3.4** For the same period, we expect average cost pressures of 1.6 per cent per pupil in cash terms, as set out in the table below. This means that schools on average will be able to meet their cost pressures from within their overall increase. The pressures are higher in the first year due to the increase in National Insurance contributions which employers (i.e. schools) have to pay and because the September 2010 pay award for teachers is higher than what can be expected in the next Spending Review period. The PBR announced that the Government would seek a 1 per cent cap on basic pay uplifts across the public sector for 2011-12 and 2012-13. On this basis, and subject to the usual pay review body and negotiation processes, the table below shows the maximum possible pressure from pay uplifts. Subject to evidence of the recruitment and retention levels and other factors within the school workforce awards could be lower.

<b>Cost pressures for 2011-13</b>		<b>2011-12</b>		<b>2012-13</b>	
<b>Figures are year-on-year</b>					
	<b>% of total expenditure (a)</b>	<b>Estimated uplift (b)</b>	<b>Overall Budget impact</b>	<b>Estimated uplift (b)</b>	<b>Overall Budget impact</b>
<b>Teachers' Pay:</b>	55.0%	2.3%	1.3%	1.2%	0.7%
<b>Other Pay</b>	23.0%	1.5%	0.3%	1.0%	0.2%
<b>Non-pay Costs</b>	22.0%	1.5%	0.3%	2.0%	0.4%
<b>TOTAL</b>	<b>100%</b>		<b>1.9%</b>		<b>1.3%</b>

Figures are based on headline pay awards where known and the expectation that pay awards will not be higher than the 1% cap set out in the PBR, although final awards will be subject to the usual pay review body and negotiating processes. They incorporate the 1% increase in employer's National Insurance for April 2011 and an estimate of salary drift for teachers. Non-pay inflation is based on CPI projections.

The overall budget impact is a weighted average of the various pressures and is calculated by multiplying column (a) by column (b) for each year

- 3.5** It is however vital that all schools make savings to enable schools collectively to meet all cost pressures, ensure investment in our key priority areas, allow progress to be made on delivering a fairer funding system without creating damaging instability for schools funded at the MFG and to use their resources to best effect to maximise investment in improving outcomes for their pupils. We have already said at the PBR that we want all schools to make savings of 0.9 per cent on average over 2011-12 and 2012-13. All schools should consider improving the way they procure goods and services; looking at whether they can share back office functions with other schools; exploring federation and other partnership options with other schools in order to deliver a broader range of provision more efficiently and make savings on leadership costs; and using benchmarking to evaluate their overall use of resources. With a planning horizon from 2010-11 to 2012-13, schools will be able to look across all three financial years to help them make savings and planned changes to their use of resources to secure better value for money, including using moderate school balances to smooth their funding to meet cost pressures.
- 3.6** Through making these efficiency savings, schools will be able to ensure further investment in their provision for pupils, for example through more catch-up provision, additional specialist staff or expanded extended services provision: whatever they feel will be of most benefit to their children. There are many ways in which schools are being supported to make efficiencies, which are discussed further below.
- 3.7** It is absolutely right that schools, like other services and the rest of local and central government, look at all aspects of their budget to identify ways to make savings. All schools will need to make some level of savings to meet cost pressures and invest in their priorities, and the minority of schools that receive the Minimum Funding Guarantee – schools that have historically been receiving higher levels of funding than their local formula suggests – will need to make more. This document sets out our ambitions on the level of savings which we think can be made and through these savings, we will be able to ensure both that funding can move to those areas that need it most, particularly responding to the needs of pupils from more deprived backgrounds, and that schools free up resources to reinvest locally to improve the provision which they offer to their children.

### **Ensuring frontline protection for all schools**

- 3.8** While the overall increase in funding for schools will average 2.1 per cent cash per pupil based on current levels of inflation, increases for individual schools will vary depending on their particular circumstances and due to changes in both national and local distribution of funding to better reflect relative needs. It is right that funding should reflect need, but schools also need certainty with which to plan. That is why since 2003 we have set a minimum funding guarantee, which guarantees a minimum increase in per pupil funding that any school will receive on a like-for-like basis. This minimum increase is set below the level of the average increase so the majority of schools will receive a higher increase – for example in 2009-10, 75 per cent of schools received an increase above the minimum funding guarantee – thus allowing re-distribution of resources to meet need.

- 3.9** From 2008-09 to 2010-11, the MFG has been set at a level below our assessment of cost pressures, reflecting our expectation that relatively higher funded schools can and should make efficiency savings to help them meet these pressures and in this way, schools on the MFG can still protect frontline provision whilst allowing resources to be recycled to other schools in the local area.
- 3.10** For 2011-12 and 2012-13, the MFG will continue to be set below cost pressures to reflect our expectation that all schools should both make efficiency savings and are able to protect their frontline provision. And whilst all schools will need to make efficiency savings, it is right that those, that have historically had higher levels of funding than their local formula implies, i.e. have in the past been relatively generously funded, should be expected to make more.
- 3.11** Following the completion of the DSG review, as usual, the level of the MFG will be set in the autumn once the overall cash envelope is confirmed, but it will guarantee that all schools will receive a cash increase in their per pupil budget, with most receiving above the MFG level. The MFG will apply to a school's total budget, including both money from the DSG and additional funds previously allocated through specific grants that we are rolling into the DSG.
- 3.12** By setting the MFG below cost pressures in this way, we can ensure there is room for redistribution both locally, through the local pupil premium, and nationally through the new DSG formula, but still ensure that all schools are able to protect the frontline. Moving more quickly to revise the distribution of funding through lowering or abolishing the MFG would mean significant reductions in resources for many schools.
- 3.13** The combination of the PBR announcement of real terms increases in schools funding of 0.7 per cent, or 2.7 per cent cash at current levels of inflation (2.1 per cent cash per pupil) and our intentions with respect to the MFG means schools now have a good planning basis for the next three years. They will have secure budgets for 2010-11 and can use their own local estimate of cost pressures and circumstances combined with the knowledge of the average increase of 2.1 per cent per pupil and continuation of the MFG to draw up realistic budget scenarios across 2011-13 so that they can efficiently plan their resource across a three year period. In doing so, they can look at the scope for efficiency savings to ensure they take into account opportunities to reinvest resources into frontline provision.
- 3.14** This will mean schools flexing their budgets across the three years and using their modest in-year balances to help them. However, this does not mean excess balances should be amassed by schools. Whilst a school that is planning effectively across the three year period may wish to accrue a small surplus to flex over the three year period, local authorities should continue to claw back excessive balances. Alongside this document, we have issued guidance<sup>5</sup> to help local authorities to do that, clarifying the circumstances when a school can justify defining a surplus as committed. Strong action should be taken by local authorities to claw back excessive, uncommitted balances. These can then be used collectively within the authority to fund invest to save priorities such as pump-

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<sup>5</sup> The school balances guidance can be found at <http://www.teachernet.gov.uk/schoolbalances/>

priming federations or partnership arrangements, or resourcing school business managers.

### What this means for local authorities

- 3.15** In parallel with this document we have launched a consultation on the principles that should underpin the future distribution of the DSG between local authorities (the *Consultation on the future distribution of school funding*<sup>6</sup>). Final decisions will be taken following this consultation which will set the actual increase that each local authority will receive. However, just as schools need a basis to plan, local authorities also need to be confident that they will have sufficient resource to deliver the MFG; be able to meet the cost of policy expansions such as on early years and to make progress on improving their local targeting of deprivation. For this reason there will be a minimum per pupil increase for each local authority in 2011-12 and 2012-13 and this will be set above the level of the MFG.
- 3.16** Opportunities for further efficiencies should be explored through schools membership in Children's Trust arrangements. These arrangements allow schools to pool budgets and share other resources with other partners in the Children's Trust including the PCT, police and local authority itself in the interests of promoting children's wellbeing and educational achievement. Through their representation on the Children's Trust Board schools will be more actively engaged in strategic decision making and this should enable better coordination of commissioning. .

### Ensuring funding can move to where there is greatest need

- 3.17** The funding which any individual school receives is dependent on their own circumstances, for example the change in the number of pupils on their roll, distributional decisions made locally through the local formula and the national allocation of funding through the Dedicated Schools Grant received in their authority. This means some schools will see increases above the average increase, and some below.
- 3.18** A fair funding system, and one which allows the movement of resource between schools is vital: resources should be targeted where there is greatest need and that is why we are consulting on the distribution of the DSG between local authorities. But as we set out in the White Paper *Your child, your schools, our future: building a 21st century schools system*, it is important that local authorities support schools in most need by passing on to schools all the funds made available to them that are aimed at tackling deprivation, and we are therefore asking all local authorities to introduce a Local Pupil Premium to support this objective as discussed below and set out in detail in the consultation document. This means some re-distribution between schools within a local authority is desirable over the next 5 years. Therefore the actual increase per pupil each school receives will depend on decisions taken on the local formula, in conjunction with the local Schools Forum; the

<sup>6</sup> The *Consultation on the future distribution of school funding* can be found at <http://publications.dcsf.gov.uk/default.aspx?PageFunction=productdetails&PageMode=publications&ProductId=DCSF-00251-2010>

particular nature of the school; and the final distribution methodology of the DSG on which we are consulting in principle.

## The Local Pupil Premium

- 3.19** Our proposals for 2010-13 need to balance these different priorities carefully. In particular we need to ensure that all schools are able to protect their frontline provision whilst also ensuring that funding moves responsively to those areas that need it most. As we enter the next phase of education reform, we have set out not only higher expectations for the experience each child should have, but also a stronger focus on the need to ensure no child falls behind. We have already invested very significant resources for deprivation in the system, but we know that not all of it gets to the pupils who need it. Delivering our ambitions for all children requires a tighter association between the existence of need and the distribution of resources, particularly for children from more deprived backgrounds, so schools can be confident that they will be resourced to meet the needs of these pupils.
- 3.20** One way to do this would be to have a nationally defined pupil premium. This would essentially specify the exact amount of money attached to each and every deprived pupil, defined through a single national measure. However, there are a number of problems with this idea. First, if it is introduced from existing resources it will result in substantial redistribution among schools. The recent Institute for Fiscal Studies report concludes that without additional resources 1 in 10 schools could experience cuts in excess of 10 per cent. But the alternative of substantial extra resources for schools (perhaps in excess of 5 per cent, as in the IFS modelling) is not realistic in current circumstances – it would require very substantial sums to be taken from elsewhere, such as resources for music, sport, and other support for children. Second, the national funding system already allocates significantly higher resources for deprivation – almost £4bn, and it would make little sense simply to pile a pupil premium on top of what the IFS describes as the existing implicit pupil premium, so taking no account of what is already there. Third, it would presume that there was a single appropriate definition of deprivation for use across the country and that the same level of resource was needed to meet each deprived pupil's needs, taking no account of local circumstances and local variations. It is for these reasons that we believe a national pupil premium is not the right approach to resourcing schools.
- 3.21** Local areas – through local authorities working with their schools – are best placed to understand the needs of their pupils and schools. But it is also important that the money allocated nationally for deprived pupils reaches them and that money follows the pupil when and if they move school: local authorities have different approaches to distributing money for deprivation, but most do not pass it all on to deprived pupils. Therefore, we want to ensure that local authorities have mechanisms in place that ensure the money reaches the pupils who need it.
- 3.22** To achieve this, we will both require local authorities to pass on 100 per cent of the funding for deprivation by 2014-15 and to introduce a Local Pupil Premium from 2012-13. Within this clear and robust national framework, local authorities and schools will have

the flexibility to decide how best to meet those needs and ensure that schools locally can see the resources attached to pupils from more deprived backgrounds through a transparent and responsive system. This will allow local areas to agree their own, tailored definitions of deprivation and agree the amounts that should be attached to pupils with different needs associated with deprivation. This will mean the very significant sums which are already allocated for deprivation in the system are sharply focused on the children who need them and schools can be more confident of getting the resources they need, as money will follow pupils more closely.

### **Local Pupil Premium Worked Example**

#### **Poole and East Dorset (imaginary local authority based on real data)**

Poole and East Dorset is a relatively low deprived local authority that has some particular pockets of deprivation. In 2009-10 they received around £16.5m of deprivation funding in their DSG and other grants. Around 75 per cent of this is allocated using various deprivation factors in the local formula, yet the system is not transparent, and schools that have few deprived pupils in particular do not see clearly that they are receiving additional funding to support those pupils.

The local authority recognises that it would be beneficial, for its schools and pupils, both for all the money for deprivation to be passed on towards deprived pupils, and for it to be distributed more transparently. So they need to develop proposals to increase the proportion of deprivation money being passed on, and to develop a Local Pupil Premium so that the funding is linked to deprived children more closely.

They need to explore the options available to them for indicators to use, the numbers of children that would benefit, what support different levels of premium would afford, and the impact on all schools. They can work all of these issues through with their schools forum, with whom they already have experience of discussing the local formula and ways to target deprivation. They know they will receive funding increases over the next few years that they can put into increasing the Local Pupil Premium without creating losses for their other schools.

They use a baseline of 75 per cent of their deprivation funding (£12.3m), as that is what they are currently distributing towards deprivation, and suppose that rather than it being distributed through the current formula, it is distributed through a Local Pupil Premium. Only 6.6 per cent of their pupils are eligible for free school meals – 3,465 pupils. They calculate therefore, that by using FSM, the premium would be around £3,600 per pupil. They see this as a potential option that would tightly focus the pupil premium on a relatively small number of children. They recognise it would need to be built up over time so as not to result in cuts to other schools.

But they also look at alternatives. A measure of eligibility for out of work tax credits would cover 6,750, or 13 per cent, of pupils. So they could develop a Local Pupil Premium which would cover this wider group of pupils, which would equate to around £1,800.



They could also explore an even wider option – one that covers not just pupils from families with out of work tax credits but also those on low incomes who receive the working tax credit. This would add another 10,200 pupils. Yet they recognise that the most deprived pupils may need additional support, so apply some differentiation to the pupil premium mechanism. One option they explore results in £1,300 being distributed for each pupil from a family on out of work tax credits – 13 per cent of pupils, and £350 for each pupil from a family on working tax credit – benefiting another 20 per cent of pupils.

Over time the local authority can use growth in their budget to increase the level of the premium without cutting the budgets of other schools. And if they were to choose to put 100 per cent of their deprivation funding through the premium, the premium totals would increase to £4,750 if they use FSM, £2,500 if they use out of work tax credits, or £1,700 and £500 for both out of work tax credits and working tax credits. So they can clearly see how the amounts could grow over time as they move to all deprivation money being targeted towards deprived pupils by 2015.

The local authority can discuss all these options, work up alternatives and discuss them with their Schools Forum. They develop the options themselves, and have choices and decisions to make about which work best for them to meet the needs of their pupils. They can also agree locally how best to implement the premium gradually, perhaps focussing first of the pupils with the greatest need.

It is of paramount importance of course that the money is spent wisely to ensure the greatest impact, and schools will have views about how they could use different amounts of money to support deprived pupils, including by pooling budgets or drawing down support from the local authority and other sources. Through this pupil premium mechanism, schools will be able to identify clearly the additional resources that they receive to support deprived children.

- 3.23** We are committed to ensuring that all deprivation funding is passed on towards deprived pupils by 2014-15. Local authorities will be required to have their Local Pupil Premium in place by 2012-13 and over time we expect these Local Pupil Premiums to become the main vehicle for distributing deprivation funding. In order for the pupil premiums to grow, we expect a significant amount of the headroom that local authorities receive in future settlements to be put towards them. We expect this to make a major difference to the transparency and targeting of deprivation funding. This can be done without creating instability in budgets, because the Local Pupil Premium is built up over time.
- 3.24** This flexibility and transitional period will enable local authorities to introduce their Local Pupil Premiums gradually over time, so that they can target the greatest locally-agreed needs first. By combining this Local Pupil Premium with a new formula for distributing resources between local authorities and maintaining a minimum funding guarantee, we can ensure that resources are better directed to those schools and pupils who need them, whilst protecting frontline provision in all schools.

## 4. How schools can make efficiencies

- 4.1** Savings of £650m are essential for all schools collectively to meet all cost pressures; ensure investment in our key priority areas; allow progress to be made on delivering a fairer funding system without creating damaging instability for schools funded at the MFG and for schools to invest in their priorities and improving outcomes for their pupils. We believe it is vital that all schools look at their use of resources in order to ensure maximum outcomes are achieved for the very significant investment made. In November 2009, we published the discussion document *Securing our future: using our resources well* in order to stimulate debate among schools about making the best use of their resources and to help by giving examples of what other schools have done. Schools have responded vigorously to the challenge in a series of conferences: further regional and local conferences will be taking place over the next few months. Governing bodies have a key role here in both supporting and challenging school leaders with this important task.
- 4.2** At the time of the PBR, we set out our aim that schools should make achievable efficiency savings totalling £1bn over 2011-12 and 2012-13, equivalent to 0.9 per cent. This means that in 2012-13 schools will need to make savings across the school system as a whole amounting to £650m compared with 2010-11. As such, the PBR aims represent the minimum level of ambition, with most schools able to make more savings for local reinvestment.
- 4.3** Schools have told us and the evidence suggests that the most promising areas for schools to make efficiency gains are procurement, back office functions, reducing the use of energy, collaboration and federation. It will be for individual schools to examine their own budgets and find the best way forward for their circumstances, but the paragraphs below illustrate how substantial savings might be achieved by schools collectively.

### Procurement

- 4.4** In 2008-09, schools spent around £6.5bn on services and goods which they procure from others (apart from back office services). It should be possible for schools to make 10 per cent savings, delivering savings of £650m. While this is a challenging level of savings, we are providing strong support for schools, discussed further below, through our procurement programme and through extending the influence of school business managers. And we know that the proportion spent on procurement varies considerably from school to school, so for example our benchmarking work has shown that if the schools which spent the most on these items reduced their spending to match that of



similar schools just on the 75<sup>th</sup> percentile, savings across the system could total some £700m.

Schools in the North of England are saving thousands of pounds after benefiting from Procurement Health Checks as part of the DCSF's Educational Procurement centre work.

In Northumberland, a review of staff absence insurance policies resulted in total savings to schools of £155,800. And schools in Newcastle have recently benefited from a new photocopying contract award by Newcastle City Council to Oce UK Limited which has already led to savings of over £40,000.

Lyn Johnson, Advanced Schools Business Manager for the Haydon Bridge Partnership of Schools and North Pennine Learning Partnership, which has benefited from both these strands of work, says:

"The service offered by the Procurement team has been first class, and continues to be so. I have asked for their assistance on several occasions now in relation to staff absence insurance quotes, photocopier contract prices, and a range of other procurement advice. They have been able to provide a brilliant level of service and support".

## Back office

- 4.5** In 2008-09, schools spent around £2.5bn on back office staff and services. These staff provide important support to schools and school leaders in delivering improved outcomes for children and young people. However, through collective use of staff in schools within federations and other forms of collaborations, many schools are making significant savings in this area. A 10 per cent saving here would generate around £250m.

Devon County Council has provided guidance to its schools on various methods of working together, including one school procuring goods and services on behalf of a Learning Community or cluster, a number of schools moving to foundation status and acquiring a joint Charitable Trust, and a group of schools setting up a single school company. Devon thinks that 10 per cent of its primary schools will have gone as far as federating within the next 12 months.

## Energy

- 4.6** Schools spend over £500m on energy each year. Through lowering their energy usage, many schools are making further savings beyond those achievable through procurement. Research suggests that schools can achieve a reduction of between 5 and 15 per cent through changing behaviours of school occupants. 10 per cent savings would generate £50m. To support schools in the reduction of energy use, DCSF has begun the process of creating a co-ordinated national energy reduction programme, involving key partners

such as DECC, Carbon Trust and Salix. DCSF is also offering all schools the opportunity to apply for a free energy display meter, which will be provided and installed by British Gas. These meters are designed to raise energy awareness in all school users, and to be used as a tool within the curriculum – as well as offering the potential for facilitating energy reduction, and providing essential management information for school business managers and others.

#### **Norfolk County Council**

The Energy Busters scheme in Norfolk primary schools connects with key elements of the National Curriculum and applies energy management concepts in the real world of the school environment. The aim is to engage the whole school community in thinking about energy and climate change through the process. The scheme has shown an average of 10.25 per cent in energy savings from schools involved since September 2008.

#### **Warwickshire, Worcestershire and Coventry Councils**

Worcestershire, Warwickshire and Coventry local authorities have worked on a Switch it Off campaign. The campaign is delivered through a two-week programme in schools. The first week involves “undercover” audits and checks by a pupil-led eco team, leading to general awareness raising about the issues and possible solutions. The second week is “Switch it Off” week, with a focus on actively reducing energy use. Participating schools have evidenced energy reduction across a wide range, with some cutting electricity consumption within the week by a third and one school by 50 per cent.

## **Collaboration and federation**

- 4.7** Schools working together are stronger and can deliver better outcomes for their pupils. Schools supporting one another provides the best means to raise standards by spreading best practice, particularly through sharing excellent teaching and leadership. At the same time collaboration and federations can release significant savings for reinvestment through joint procurement arrangements, sharing staff and back office functions and more effective leadership structures. Effective federations need to be locally driven, rather than centrally mandated, and hence an overall savings assumption or target is not appropriate. But many schools are discovering the significant savings that federations can deliver, in addition to the huge school improvement benefits that they bring with possible savings of well over £300m in total if a third of all schools federated. More details of successful federations are set out in *Securing our future: using our resources well*.

In September 2009 the Department published a research report on exploratory case studies of formal collaborations between small rural primary schools, based on work in Norfolk, Cornwall and Northumberland. The exploration of potential future arrangements was hypothetical, but suggested that a federation of two small rural primaries could save a net £15,000 on leadership costs, while a federation of three such schools could save around £50,000.

- 4.8** Taken together, these measures could save schools around £950m by 2012-13 with the majority of these savings being recycled locally.

### Supporting our schools to make efficiencies

- 4.9** We have studied the issues and challenges emerging from the conferences and discussions around *Securing our future: using our resources well*, and have also held discussions with schools, local authorities and national partners as part of a Public Value Programme project to assess how well schools currently use their resources and the scope to improve this.
- 4.10** The Department and its partners in the school and local authority world are fully committed to supporting our schools through the challenges of managing their resources over the period up to 2013. We have established a joint group to manage the programme of support that we are putting in place, and to react swiftly to strengthen and flex the programme as necessary. We want to ensure that every school is conscious of the need to plan its use of resources strategically, and knows where it can find tools, advice and other support.
- 4.11** With partners we have reviewed the sources of support available to schools in planning their resource use, and strengthened it where necessary. There is already a range of tools schools can use, but we are extending this to give a comprehensive programme of support. Partners will work together to give consistent messages and help to schools.
- 4.12** Some of the main elements of our programme of support are described below. The Department has a "landing page" for schools at <http://www.teachernet.gov.uk/management/schoolfunding/schoolfinance/letstalkresources/> which is a first point of call for information.

### Free consultancy

- 4.13** Many schools will welcome advice from experienced professionals to help them identify scope for efficiencies and explore how their resources can be used better to secure improvements in outcomes. Schools can access free value for money consultancy advice from Avail. This is usually provided through experienced school leaders such as former headteachers or school business managers and 96 per cent of schools who have received this consultancy would recommend it to other schools. Our experts in the DCSF Educational Procurement Centre (EPC) helps schools secure electronic procurement and can give schools in some areas a procurement health check. From 2011 we intend to combine these offers to provide a single comprehensive source of advice for schools to help them make savings.

The Value for Money consultancy programme managed by Avail consulting offers free, personalised and independent support directly to schools. Lethbridge Primary School had a one-day consultancy visit in October 2009. The school was keen to build on efficiency work already implemented by discussing the effective deployment of teaching assistants, reviewing the role of a learning leader and developing measurable success criteria in relation to the school improvement plan.

The consultant was able to make a series of suggestions and the outcomes for the school were that the visit encouraged a greater focus on training and development issues, improved the links between the senior leadership team and the teachers, and increased the focus on resourcing – particularly on the school development plan and prioritising activities.

Cathy Millan, Bursar, Lethbridge Primary School, said: “The quality of the information provided by the Consultancy for Schools programme and the consultant was excellent. The visit really helped us realise that well managed staff give the best value for money. I would definitely recommend this programme.”

### Getting skilled school business managers into schools

- 4.14** There is compelling evidence that well deployed and skilled school business managers (often called bursars) realise significant savings in terms of both headteachers’ and teachers’ time and school resources – savings which can be reinvested in teaching and learning. The National College’s demonstration projects, commissioned by DCSF, provide further strong evidence that these benefits are also realised when schools come together and share a skilled school business director/manager.
- 4.15** We estimate that only a third of primary schools have access to a qualified school business manager. We are encouraging all schools to work together in clusters, with support from the National College, to recruit and deploy school business managers. Working with headteachers, local authorities and school governors, we aim to ensure that all schools can access the skills of a school business manager.
- 4.16** As a first step, in 2010-11 we will provide grant funding to help groups of primary schools to work together supported by a school business manager. We will support 250 such groups each year with the aim that by March 2011 each local authority in England will benefit. These groups will then act as a catalyst for others to form, and realise the benefits of well deployed and skilled school business managers, supported and promoted by their local authority.
- 4.17** In addition to grant funding, groups of schools will also receive:
- targeted support, provided through the National College, from highly skilled and experienced school business managers, and from groups of schools which are already realising the benefits;
  - continuous professional development from the National College for the appointed school business directors/managers; and

- a range of appropriate consultancy including advice on achieving better value for money; and changing models of school organisation and leadership.

**4.18** We will also allow local authorities to retain money centrally to assist schools with the upfront costs of school business managers.

#### **Case Study: Withernsea School Business Director Demonstration Project, East Riding of Yorkshire**

The Withernsea School Business Director Demonstration Project commenced in January 2009, consisting of a cluster of one junior school and four primary schools within the East Riding area of Yorkshire.

The main focus of the demonstration project is to pilot an initiative to demonstrate how Advanced School Business Manager roles can support headteachers in allowing them more time and resources to effectively lead teaching and learning, as well as the business aspects of the schools, by developing innovative approaches to current issues.

A light touch strategic business management service for the cluster schools has been offered, as well as the further development of an induction programme for newly qualified headteachers, which embeds the benefits that can be achieved from a high quality school business management service.

For the 2009-10 financial year this project has already achieved projected estimated financial gross savings of £116,000 across the cluster of five schools (Oakleigh Consulting, Dec 2009), which includes a projected £10,000 saving in streamlining and increasing the effectiveness of school administrative systems. In addition, the project has achieved savings of £2,000 in one school by moving to managing cleaning services in-house, and additional income and financial savings totalling £39,357 have been realised across the cluster by improving ICT service level agreements.

The East Riding of Yorkshire Local Authority is strongly committed to the long-term sustainability of the demonstration project and will use its findings to inform the introduction of a wider model of school business management provision across the authority.

### **Local authorities supporting schools**

**4.19** Local authorities have a key role in supporting schools to make efficiencies and many schools, especially primaries, will look to their local authorities for support. Many local authorities, working with the full range of local partners, already provide first-class support through finding savings through collaborative provision of services; helping schools to benchmark their expenditure; helping schools to secure financial expertise on their governing bodies; facilitating shared access to school business managers and identifying and supporting schools early that are facing difficulties with their resources.

**4.20** We need to make sure that this sort of support is available to schools in every local authority. Working with the Local Government Association and the Association of Directors of Children's Services, we will ensure that local authorities provide appropriate support for schools and will help them to do so. We are planning a small, dedicated and

responsive unit to support local authorities in this. Its role will be to offer tailored support to local authorities to enhance their capacity to support their schools.

### National partners supporting schools

- 4.21** Our partners including NASUWT, the Association of School and College Leaders (ASCL), National Association of Head Teachers (NAHT) and National Association of School Business Management (NASBM) will provide support and help for their members, for example through newsletters, conferences and materials. Examples are given in the box below.

#### NASUWT

NASUWT is encouraging its teacher and school leader members to engage actively in the *Securing our Future* debate. It has sent bulletins into every school to school leaders and NASUWT representatives briefing them on the document, providing a link to it and advocating within school discussions to review all of the school's financial activity. Further information is being prepared.

In addition, NASUWT has held a national briefing of all local secretaries with a full presentation of the financial background, the aims of the discussion document and suggested areas of expenditure to target for review. They are advised to submit this as an item for discussion in their local authority consultative forum. They should also brief local NASUWT representatives on schools forums to engage in the debate.

At every event organised by NASUWT teachers' attention is drawn to the document: there is also information for members on the website.

#### ASCL

ASCL are developing an interactive tool to enable heads and school business managers to model quickly the impact of different deployment of their resources and models of curriculum delivery on their financial planning.

#### NAHT and NASBM

The NAHT and NASBM are currently working together to develop materials based on the School Business manager Competence Framework. This is designed to deepen the understanding of the relationship between school business managers, head teachers and others on the senior leadership team of the school. Some half day workshops on efficiency and best value are also being planned jointly and are likely to be offered in a number of different regions.

### Other resources for schools

- 4.22** Schools need ready access to deals which will give them procurement savings. Through our Educational Procurement Centre, we will negotiate an increasingly wide range of new contracts which will give schools access to such savings, and spread the use of electronic procurement which also saves time and money. We will also continue to give grants that assist schools to save money by reducing energy use.

- 4.23** The Department will fund a series of short case studies made by Teachers TV on how schools have made best use of resources and reduced costs. These will go inside case study schools, and hear directly from those involved how they did it and how they overcame any difficulties of implementation. The case studies will also show how successful collaboration between schools can work. They will be available to schools through the internet and readily reachable from relevant websites.
- 4.24** The National College will ensure that enough courses on managing resources are available for serving heads, and will work urgently with the Training and Development Agency (TDA) and Becta on improved toolkits and materials for schools. The Audit Commission has already published a toolkit called *Managing school resources* to help schools evaluate their use of resources, providing examples of good practice drawn from research and sign-posting further information. DCSF and the National College will also ensure that School Improvement Partners (SIPs) have appropriate training and simple data on schools so that as part of their role to support overall school improvement, they can discuss the use of resources with their schools, provide challenge and act as a gateway to support.

### Removing barriers to securing efficiencies

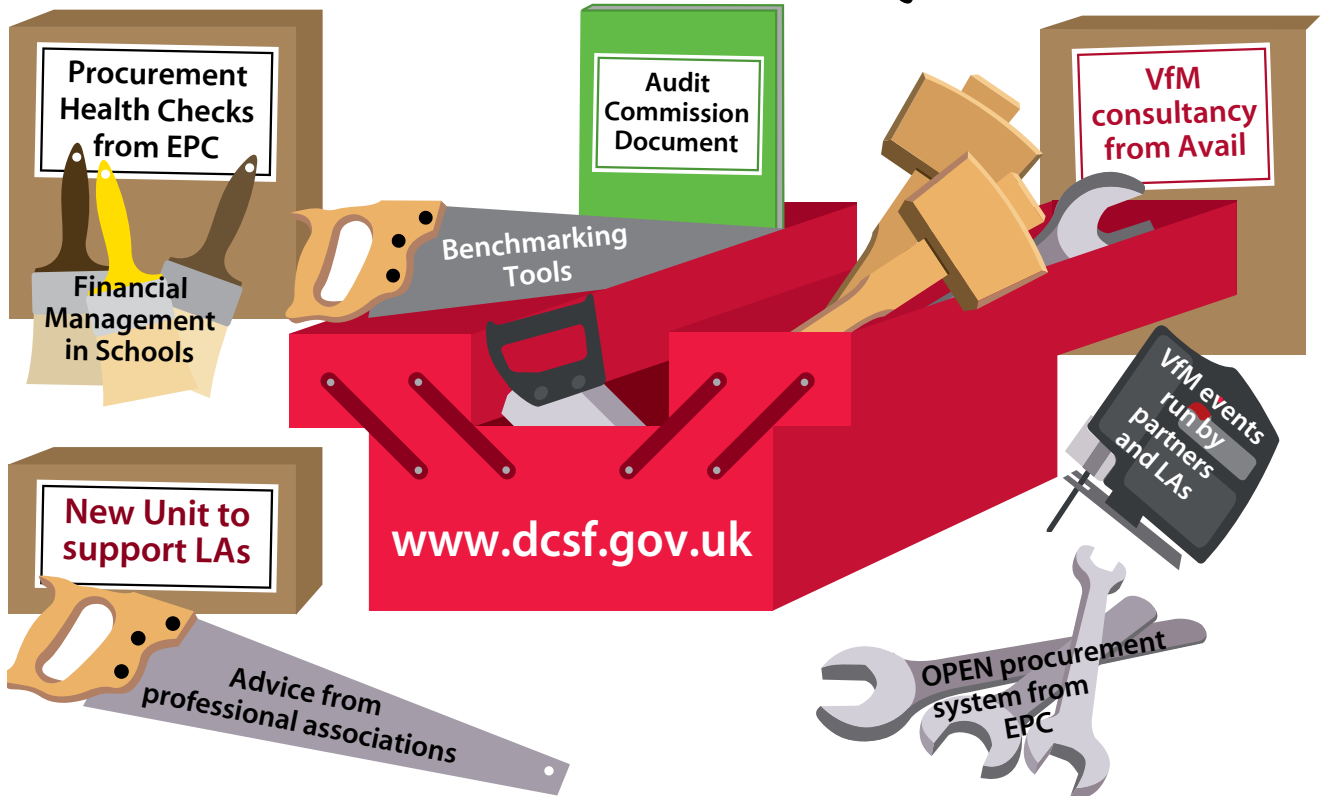
- 4.25** During the conferences and other discussions that have taken place in the last few months, schools and local authorities have raised areas which can limit schools in their ability to make savings. The Department's role is to remove barriers and facilitate schools in making savings wherever possible and thus we will be taking a number of further actions in response to these concerns. These include:
- helping authorities to change their financial schemes so that schools can hire shared staff with confidence, use charge cards for procurement and sign up collectively to procurement deals;
  - making it easier for schools to collaborate and federate, and allowing local authorities to retain money centrally to assist schools with the upfront costs of federations;
  - changing the Financial Management Standard in Schools (FMSiS), which all schools are required to meet by 2010, so that it concentrates more on value for money than on processes; and
  - improving the financial benchmarking website so that schools can benchmark their expenditure even more effectively.

### Schools going forward with confidence

- 4.26** The programme of support described here, together with the existing roles which local authorities play to support schools in the effective use of resources and to foster collaboration means that there is a wide variety of support available to schools. This includes expert consultative advice; collaborative approaches led by schools themselves; support and challenge from the local authority; access to improved purchasing options and the ability of schools to compare themselves with other schools to identify areas for savings, as illustrated in the diagram opposite.

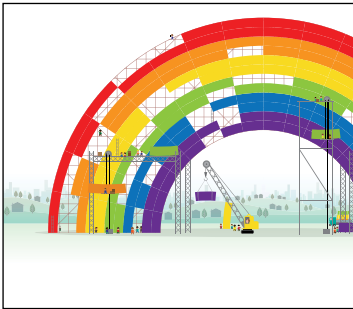


# School Toolkit





- 4.27** We and our partners will carry on doing everything we can to support schools and local authorities in using their resources to optimum effect. We will continue the national discussion started in November so that schools can raise issues or concerns with us and so we can jointly develop solutions and spread the best practice. On this basis, schools will be able to go forward with confidence through the next three years.



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