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National College
for School Leadership

Schools and academies

Funding the future: how schools are responding to funding changes

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Resource

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Executive summary

Background

In November 2010 the coalition government's comprehensive spending review committed to maintaining per-pupil funding at the same flat cash rate through to 2014-15, along with the introduction of a new pupil premium aimed at increasing funding for disadvantaged pupils. It committed to maintaining the minimum funding guarantee¹ (MFG) for schools, meaning that none would lose out disproportionately.

Despite these high-level commitments, school leaders are facing wide-ranging changes to their budgets. These changes include: the streamlining of formerly separate, ring-fenced funding into a single pot; overall reductions in the school's capital budget; the move to reduce funding for post-16 learners in schools to the same level as in further education (FE); and reductions in local authority funding, leading to charges to schools for services that were previously free. Further changes will affect the future, for example when a proposed national funding formula replaces local authority determined funding for schools.

This report is based on research that set out to understand how, in such a context of change, individual school leaders are addressing their current and future challenges, and to identify from that lessons and practical strategies that may be of wider value.

The report addresses a number of **key questions** for school leadership:

- How are changes to funding impacting on schools and leaders in different contexts, phases and localities?
- How are leaders responding to these changes?
- How are different schools using their pupil premium funding?
- How are the most effective leaders utilising the opportunities provided by these changes in their resourcing to improve outcomes? What are the key skills and qualities that the most effective leaders display in this context?
- To what extent are schools demonstrating entrepreneurial leadership in response to funding changes? What are the implications of this for leadership and leadership development?

The findings in the report are based upon a three-stage research process:

- an online survey of 725 school leaders (57 per cent headteachers, 30 per cent school business managers) in November 2011 to explore the issues raised by the research questions
- telephone interviews with 31 schools to explore their practice and experience in more depth
- 11 case studies of schools selected from the original survey and telephone interviews that offered evidence of a distinctive approach in more than one key area

This research is best viewed as being of a preliminary nature, in view of the fact that it was conducted at a point when many of the changes in funding it explores were still at the earliest point of impact, and future budget details were not completely clear.

¹ The budgets of individual schools are subject to a **minimum funding guarantee**. It is based on the current year's budget as allocated at the start of the year with a fixed percentage uplift, an adjustment for changes in pupil numbers and a limited number of exempt items (source: Department for Education).

Key findings

The study found a number of factors contributed to this complex environment:

- the response to the economic climate and public sector spending restraint
- the desire to remove evident disparities of funding between similar schools
- greater equity and opportunity for learners from disadvantaged backgrounds
- continued change as the one certainty

The report is built around five key themes:

1. how leaders are responding to the significant change they are experiencing
2. the significance of the pupil premium
3. efficiency, innovation and entrepreneurship
4. the importance of collaboration
5. leadership and governance

Leaders' experience of change

School leaders are facing significant changes to their budgets as well as uncertainty about the longer term funding picture. Nevertheless, most (but not all) remain confident in their team's ability to respond positively and creatively to those changes.

The main challenges leaders identified are:

- managing significantly reduced capital funding, spanning buildings and maintenance issues as well as ICT
- staffing, including managing reductions in some cases and maintaining morale
- the difficulty of planning strategically due to uncertainty about the impact of national proposals and local responses

The notion of scanning the horizon, looking for what might be around the corner, both locally and nationally, and planning ahead for that, are perhaps the most significant leadership activities in dealing with change.

The significance of the pupil premium

Around half of the respondents to the survey attached very high or high importance to the pupil premium funding. Secondary leaders are less likely than their primary counterparts to see the pupil premium as significant, no doubt reflecting their larger overall budgets. The amount of pupil premium funding per pupil will increase in future years, which may alter this view.

Effective schools try to base their chosen interventions aimed at narrowing gaps between pupils on free school meals and the rest on the best available evidence. Some of this evidence is derived from external sources and some from schools' own internal evaluation, observation and analysis. The internal evidence used is linked to highly rigorous and challenging target-setting and tracking. These leaders also recognise that flexible responses are required. What works for one pupil may not work for another. What is needed at one time is not needed indefinitely.

Efficiency, innovation and entrepreneurialism

Schools are making significant savings through collaborative approaches to procurement and by challenging and questioning existing or new contracts against the value for money for all the services provided. Three-quarters of respondents indicated that they were looking for immediate efficiencies in procurement and resource use in 2011-12 to maximise the available budget, with over half continuing this process into 2012-

13. Similarly, three-quarters of respondents indicated that they would be making savings from, or cutting, non-essential expenditure in 2011-12 with nearly three in five continuing this process in 2012-13.

Leaders are recognising the need for strategic approaches to income generation which ensure that investment in time and energy is directly linked to existing priorities in the school improvement plan. For instance, around half of schools are doing more to promote the school to potential parents through marketing.

The importance of collaboration

Schools are finding collaboration and partnership of increasing significance in navigating their future. Although only a quarter of schools responding were in some form of formal chain, cluster or federation, over half of other schools are engaged in some less structured collaborative activity. This is true of all sectors and the trend appears to be increasing.

Successful partnerships require commitment, nurturing and support. The skills of financial management are not the same as the skills of partnership development. It is important that partnership skills are recognised and in place somewhere within a leadership team.

Leadership and governance

Nearly three-quarters of schools responding now have a school business manager (SBM). SBMs were likely to be most effective in instances where their role was clearly set out and understood by all parties.

The research indicated that 7 in 10 SBMs are members of the school leadership team (SLT), making them pivotal to discussions on financial matters but also key in whole-school planning and improvement. Indeed, co-ordination between financial and curriculum planning is critical to success.

An understanding of the school's finances and sources of funding is vital for all – governors, SLT and staff. If there is a shared understanding of, and a shared ownership and commitment to, financial challenges, it makes difficult decisions and solutions more possible.

Key implications for leadership

Such a complex and changing environment demands leadership that is adept and agile in charting a way through for each school. This report suggests that the leaders with the best chance of addressing resource challenges are those who take time to scan the horizon and whose staff share a strong sense of wider purpose and have trust in a situation of shared uncertainty.

Each of the themes explored has highlighted a number of key implications for leadership. These are summarised below.

Change

- The most successful leaders spend time scanning the horizon, anticipating change, and preparing for unknown eventualities.
- That means they take nothing for granted, and build capacity for flexible and adaptive responses.
- They do this on the basis of having a clear appreciation of the impact of individual spending decisions on their wider situation.
- Leaders are currently finding it hard to plan on the basis of a secure three-year budget, but it is nevertheless important to plan ahead as far as possible.
- Staff development assumes greater importance in equipping people to cope with change and uncertainty. This might be delivered in variety of different ways, using in-house or collaborative expertise.
- Building trust and confidence at all levels is crucial.

Use of the pupil premium

- Clarity of values and core purpose drives priorities for using the pupil premium.
- Leaders project a strong expectation that they expect everyone – staff, pupils and parents – to be the best they can be.
- Highly focused and carefully targeted support is provided to support people in meeting those expectations, providing the right amount at the right time.
- The most effective use of the pupil premium is likely to involve proactive monitoring against outcomes and an astute use of internal and external evidence to guide decision-making.

Efficiency, innovation and entrepreneurship

- Being entrepreneurial or innovative is not just about attracting new funds; it is about ensuring value for money and cost-effectiveness within existing known budgets.
- Strategies for generating additional funding need to be targeted against agreed priorities in the school improvement plan.
- Utilising governor experience and networks builds capacity for increasing value for money and securing additional funding.
- Securing value for money, alongside academic standards, is becoming increasingly important.

Collaboration

- Collaboration and/or partnerships are increasingly important in achieving cost efficiencies and value for money. Schools that collaborate are also in a stronger position to work together to secure new sources of funding.
- There is a growing need to be creative in making use of new forms of collaborative structures, such as charitable trusts, co-operatives or community interest companies, to access sources of funding that would not otherwise be available to schools.
- Partnership working and the ability to collaborate with other schools and external partners are becoming key skills for aspiring leaders. More leadership capacity can be effectively generated and nurtured internally within schools, clusters or chains.
- It is important for someone on the SLT to hold an explicit outward-facing role with responsibility for partnership development and raising the profile of the school both with potential partners and parents as well as with other stakeholders.

Leadership and governance

- In many schools, the SBM is now a key member of the SLT and pivotal in discussions on whole-school planning and improvement.
- The role and expectations of the SBM need to be clearly set out in a job description and understood by all parties. It may be about office or financial management, strategic planning, and/or the generation of additional or new sources of funding. If there is a desire for an SBM to be creatively exploring new opportunities, she or he must have the capacity to do so.
- Effective SBMs are able to use and apply financial experience to educational contexts. Effective strategic planning needs to be about the integration of finance, the curriculum and pastoral support.
- An understanding of the school's finances and sources of funding is vital for all – governors, members of the SLT and staff. If there is a shared understanding of, and a shared ownership and commitment to, financial challenges, it makes difficult decisions and solutions more possible.

Implications for the National College and the wider system

It will be important for the National College to continue its work to equip school leaders, including SBMs, with the skills and information they need to secure value for money and to cope with change. Equally, given the importance of collaboration between schools in helping ensure they have the capacity to share resources, create the best learning opportunities for all and drive efficiency as local authority support reduces, it will be important that wider policy supports schools to achieve such partnerships, for example through the development of chains, federations and some of the innovative organisational arrangements referred to above.

Background

The context of change

The change in the environment for school funding over the last two years has been wide-ranging. The impact of change on individual schools is variable and difficult to quantify because of the range of mechanisms and local decisions at work. Key changes include:

- the streamlining of formerly separate, ring-fenced funding into a single pot
- overall reductions in the school's capital budget
- the move to reduce funding for post-16 learners in schools to the same level as in FE
- reductions in local authority spend and a trend towards more services being delegated to schools, resulting in a shift in its role

Further changes will take effect in the future, for instance in relation to any national funding formula. The effects of this on any individual school may be significant one way or the other, depending on the final details of the formula.

This research sets out to understand how, in such a context of change and fiscal challenge, individual school leaders are addressing their particular present circumstances and unpredictable future, and to identify from that lessons and practical strategies that may be of wider value.

Drivers for change

Several factors are contributing to this complex environment:

- the response to the economic climate and public sector spending restraint
- the desire to remove evident disparities of funding between similar schools
- greater equity and opportunity for learners from disadvantaged backgrounds
- continued change as the one constant

Each of these is now explored in more depth.

Response to the economic climate and public sector spending restraint

It is inevitable that schools will be affected by the wider economic picture with available public resources heavily constrained for the foreseeable future. This coincides with a time when expectations of our school system are increasing, not least because of the anxiety that other countries are making faster progress in raising levels of attainment than the UK, thereby reducing its competitiveness in a global marketplace. The demand to get more from less will not go away.

That said, there is increasing evidence that increased expenditure does not necessarily lead to school improvement; it is how money is spent rather than how much money is spent that matters. Some of this evidence comes from international comparisons, for example those undertaken by the Organisation for Economic Co-operation and Development (OECD) on the back of its international benchmarking survey, the Programme for International Student Assessment (PISA), which showed that high-spending countries are not necessarily the highest performers internationally.² Data from the DfEs *Improving efficiency in schools* publication also suggests that it is decisions on how to use funding rather than the levels of funding per se,

² For example, see OECD, 2011, *Strong Performers and Successful Reformers in Education: Lessons from PISA for the United States*, OECD Publishing

which is most important.

An indication of how uncertain school leaders feel about the future funding context comes from an analysis of school reserves. By the end of the 2010-11 financial year, 92.4 per cent of maintained schools had a surplus, with their collective cash reserves totalling £1.95 billion³ and the total sum in maintained school reserves is equivalent to more than 5 per cent of revenue income for all schools.

Whilst it is likely that the climate of uncertainty itself contributes to this increase in the level of reserves, and some saving for a rainy day is prudent for all – indeed, much of the surplus may be internally earmarked, particularly for capital development – a question still remains about the overall efficiency of the school system and how well all the money that is available to schools is spent. The need for efficiency is particularly important during a time of constrained finances.

The desire to remove evident disparities in funding between similar schools

There is a wide variation in levels of funding across schools. Most of this relates to their different characteristics, so for instance schools with more deprived pupils are funded more generously, and it also reflects agreed local discretion. Yet there are real differences in funding across schools with similar characteristics. Current funding methodologies adjust slowly to changes in pupil characteristics and are deeply rooted in historical factors.

Greater equity and opportunity for learners from disadvantaged backgrounds

The school's white paper (HM Government, 2010) clearly states the government's priority to address the disparity between rich and poor pupils.⁴ Perhaps the most obvious manifestation of this is through the creation of a pupil premium. In 2011-12 this equates to £488 per pupil eligible for free school meals (FSM) and looked-after children, and £200 for services children.

While heads and teachers can decide how the funding should be used, the Department for Education (DfE) requires schools to inform parents how they have spent the pupil premium. Performance tables are being reformed to show how well children eligible for the pupil premium achieve.

Continued change as the one constant

The one certainty for schools in the future would appear to be the continuation of change, with all the uncertainty it brings. In this context, key elements of change include:

- a cash-terms freeze in existing per-pupil funding through to 2014-15
- the establishment of a national funding formula for schools in the next spending period
- changing demographics – pupil numbers in secondary schools are forecast to decline until 2016, but there are expected to be 687,000 more primary pupils in state funded schools by 2020, compared with 2011
- continued reduction of post-16 funding for schools to reach parity with FE college levels

All change provides both challenge and opportunity. As a result of the factors above, some redistribution of funding between schools is inevitable in the years ahead.

Such a complex and continuing change environment is going to require leadership that is adept and agile in charting a way through for that school, while mindful of the effects overall. Such a response is likely to require a clear sense of purpose and flexibility and is also likely to call for a positive sense of what has been called 'shared uncertainty' among everyone working in a school, ie a sense of shared purpose, cohesion and trust which enables a school to move forward in ways that it had not dare try before.

³ Analysis by John Howson, reported *Education* 455, 3 February 2012

⁴ Source: HM Government, 2010:81

How the research was carried out

The questions of interest for this research were as follows:

- How are changes to funding impacting on schools and leaders in different contexts, phases and localities?
- How are leaders responding to these changes?
- How are different schools using their pupil premium funding?
- How are the most effective leaders using the opportunities provided by these changes in resourcing to improve outcomes? What are the key skills and qualities that the most effective leaders display in this context?
- To what extent are schools demonstrating entrepreneurial leadership in response to funding changes? What are the implications of this for leadership and leadership development?

To address these questions, three phases of work were completed.

Phase 1

The first phase of work comprised an online survey of 4,000 headteachers and school business managers (SBMs) during November 2011. Of these, 725 individuals (18 per cent) participated in the survey, of which 57 per cent were headteachers and 30 per cent SBMs. In terms of school type, 69 per cent of respondents were from primary schools, 21 per cent from secondary schools, and 7 per cent from special schools.

Phase 2

Phase 2 involved follow-up interviews with 31 respondents from schools that had recently had a positive Ofsted inspection (16 were headteachers and 15 were SBMs). Interviewees were selected to reflect a balance of school context, and focused on the key themes emerging from the survey.

Phase 3

The final phase of the study involved the development of case studies of 11 schools that had participated in phase 2 in order to gather more in-depth evidence of how they are addressing change. The case studies were completed during January 2012 and involved a series of structured face-to-face discussions, usually with the headteacher, SBM, key governor, and others identified by the school.

What school leaders are saying and doing

The following chapters pick up one of the five themes that emerged during the research process. They are:

1. leaders' experience of change
2. the significance of the pupil premium
3. efficiency, innovation and entrepreneurialism in response to funding changes
4. the importance of collaboration and partnership
5. leadership and governance

All five themes are considered using a common format and structure. Each section draws on evidence from the survey responses, phone interviews and case study visits, presented in the following ways:

- Commentary: this provides an overview of the evidence from the survey, interviews and visits, focusing on the differences between primary, secondary and special schools where relevant.
- Vignettes: these are snapshots drawn from phone interviews and case study visits that provide illustrations of issues related to that theme.
- Key elements of leadership responses: this offers a summary for school leaders of some of the main lessons that may be emerging from the experiences of other schools captured particularly in the case studies.
- Follow-up: each section finishes with a couple of references to other resources that may be of interest to anyone wishing to follow up the theme further.

Leaders' experience of change

This chapter focuses on what leaders highlighted as the major changes and challenges they face in relation to their funding and the ways they were responding to these.

School leaders who responded to the survey indicated that they were facing significant changes to their budgets as well as uncertainty about the longer term funding picture. Around half of the respondents to the survey reported increases in their school's overall expenditure in 2011-12, not just due to inflation but because services from local authorities that were previously free were now moving to traded status. Around one in four respondents also reported reduced income this year, with capital funding the most common area of reductions. Despite these challenges, two-thirds remained confident in their team's ability to respond positively and creatively to change.

The main challenges leaders identified were:

- managing significantly reduced capital funding, spanning buildings and maintenance issues as well as ICT
- staffing, including managing reductions in some cases and maintaining morale
- the difficulty of planning strategically due to uncertainty about the impact of national proposals and local responses

The real impact of funding changes on schools will take time to become clear. Effective leaders plan for the long term, and some who are facing current difficulties recognise that these stem from actions or inactions in previous years, often by previous postholders. The leaders who are navigating change with least turbulence are those who have always looked ahead and began changing course early (see Vignette 1). In the words of one such head (Case study 3): "You have to be a horizon-spotter".

Vignette 1

This large 11-16 school began the process of savings several years in advance of anticipated cuts. Its target was for a soft landing and to spread the reductions over a number of years. No staff redundancies have been made to date, apart from natural wastage. A balanced budget is achieved through value engineering. This means there is now an ethos across the school which starts with the questioning of any new expenditure as to why it is necessary, and whether things can be done another way or more efficiently. The head describes value engineering as 'effective viring where necessary'. Reserves have been built up over time. So far the status quo has been maintained in terms of class sizes, but the head recognises that this may not be possible beyond 2012-13.

Primary schools

The biggest changes reported by primary school leaders was in their capital budgets. Not surprisingly, this was where they saw the greatest impact. Loss of capital funding and the inability to plan for developments through new buildings or to replace buildings in poor condition were concerns for a large majority of respondents.

Three in five schools reported that they were reducing expenditure on continuous professional development (CPD) for staff. The case studies indicated this may often be through reducing dependence on externally provided courses and increasing the focus on in-house development or professional development provided in partnership with other schools. Primaries were also generating additional income where possible.

In the main, respondents were managing to avoid any impact on their school's curriculum entitlement for pupils, although about a third were having to make reductions in staffing, most commonly among non-teaching staff. The evidence from the case studies indicates that the number of posts affected by such reductions was generally small in any one school and most reductions were being achieved through natural wastage (see Vignette 2). The case studies also indicated that making staff redundant was becoming more difficult as local authorities increasingly delegated redundancy costs to schools.

Vignette 2

This urban junior school, with all pupils coming from the town and local area and 21 different languages spoken, has been rationalising its staffing structure. When the deputy head left the school, the position was not replaced. The cover teacher's role has disappeared and the planning, preparation and assessment (PPA) time of a teacher no longer in the school has been distributed among other teachers who are taking on additional responsibilities.

Secondary schools

Almost a quarter of secondary school respondents were planning reductions in expenditure, often in response to the anticipated effect of changes to the post-16 funding formula.

Reductions in capital funding were one of the major causes for concern for secondary schools, resulting in the abandonment of planned maintenance. An inability to develop the school to meet curriculum needs and the impact on morale of working in deteriorating buildings were cited as an issue by some.

Around half of respondents also reported the need to reduce staff numbers, including within leadership, although the number of posts affected appeared to be a small proportion within a single school, with most achieving reductions through natural wastage. Some schools indicated they were narrowing their curriculum offer at Key Stage 4 as well as post-16, while others were reducing CPD costs, particularly if there was an external cost.

In order to reduce costs, secondary schools reported a similar range of strategies as primary schools, with freezes on staff appointments and collaborating with other schools in procurement and the commissioning of support services. They were also using available opportunities to generate additional income in similar ways to primary schools (see Vignette 3).

Vignette 3

This medium-sized secondary school (11-19) has an average level of pupils entitled to FSM and is facing a reduction in its funding, in part as a result of being a PFI-funded school. Largely as a consequence of this, it has decided to become an academy this year as it believes it will be able to make better use of funding than the local authority. In particular, the school has invested over a number of years in facilities to support autistic children and it considers that the expertise and support it can provide will be a significant source of income as an academy.

The school has embarked on an internal review programme where almost all of its activities are costed, and affordability is measured against contribution to the school's priorities. It is working in collaboration with other providers of sixth form education to ensure that minority subjects are still available and are not squeezed out by purely financial judgements. The school is also seeking additional income where possible and has developed a useful income stream through the provision of consultancy and CPD.

Post-16 funding

Reductions in the funding of post-16 provision was one of the issues most frequently mentioned by respondents from 11-19 schools who participated in the survey. This was particularly due to the reduction in funding to schools through the introduction of a single funding formula for the whole post-16 sector including FE.

The strategies being adopted by schools to deal with their post-16 funding issues generally focused on the range of provision and group sizes. In some cases minority subjects were at risk because of the need to increase significantly the average teaching group size, although at least one school was exploring consortium possibilities with neighbouring schools to try and maintain some of the choice on offer. Other schools were considering a reduction in choice, stopping diploma courses in one case, or abandoning some additional provision such as games.

One school in the particular local situation of providing sixth form provision for a much wider area than its 11-16 catchment was considering the potential impact of funding changes in terms of tightening staffing ratios, curriculum choice and access. Another school highlighted the difficulties of a rural situation where any form of shared provision was almost impossible yet a core offer of post-16 entitlement needed to be preserved.

Special schools

Responses from special schools suggested that, overall, they had reasonable stability in their income for the academic year 2011/12, with only a minority seeing a reduction. Nevertheless, two-fifths were expecting to increase expenditure in the year ahead in order to meet the needs of their pupils.

Key elements of leadership responses

Leaders who felt most confident in dealing with the changing environment frequently drew on a common core of leadership strategies, comprising:

- looking ahead and preparing for unknown eventualities
- building capacity for flexible and adaptive responses
- curriculum-based budgeting, ie being clear about staff:pupil ratios and the long-term impact of curriculum decisions on salary budgets

Looking ahead and preparing for unknown eventualities

The notion of scanning the horizon, looking for what might be around the corner, both locally and nationally, and planning ahead for that, emerged as perhaps the most significant leadership activity for dealing with change. This included thinking about what is not known as well as what is. Where problems were not anticipated and contingency planning did not take place, the consequences could potentially be highly destabilising (see Vignette 4).

Vignette 4

Reductions in CPD at this pair of informally linked community primary schools were not explicitly a result of reduced expenditure from within the school's own historical budgets, but rather due to changes in the level of support available through the local authority. This has taken away in the current year a range of support services which used to be free, including the behavioural support team, network meetings, supply cover, and school improvement partner (SIP) support. Neither school had previously counted these indirect subsidies in resource terms.

A key part of the strategy for many leaders was to ensure that they had retained some degree of flexibility in their staffing arrangements and other resource commitments in order to allow for rapid adjustment where needed, and on occasion to allow risks to be taken in managing a short-term response to the unexpected.

Building capacity for flexible and adaptive responses

It's about people, and about rising to adversity together, not having a tick-box mentality. It can be like a bereavement process when funding goes, and we need to work through that together. So we look for resourceful ways to solve problems. A positive outlook helps to find positive solutions. You need a creative brain to make it happen and make it work.

Headteacher, Case study 3

Many schools indicated that they were reducing expenditure on CPD although the degree to which this represented a redirection of effort away from relatively expensive external provision to more focused in-house provision rather than actual cuts was not clear. However, equipping staff for a more flexible and changeable future was key to navigating change successfully. That included investment in capacity-building in individuals, sometimes in partnership with other schools on a reciprocal basis, and the use of performance management to support growth and development.

We are a team – together everyone achieves more.

Headteacher, Case study 9

Underlying each of these approaches was the building of trust and a sense of ownership of problems based on a common purpose and shared values. This reflected a much deeper confidence by leaders in the potential in people, having confidence they will do what they need to do, and expecting everyone to aspire to be as good as they can be.

When something comes over the hill, the staff now know we will approach it together – it is a matter of do with them, not to them.

Headteacher, Case study 8

Curriculum-based budgeting

The leaders most able to be flexible in their response were those with a clear understanding of the implications of the choices they faced. Often this was informed by some clear financial ratios to inform budget planning. Particular drivers included the average staff costs within different staff groups, the staff:pupil ratio, and the proportion of budget spent on staffing.

The Association for School and College Leaders (ASCL) offers a nomogram as a tool to help leaders explore their affordable pupil:teacher ratio (PTR). A copy of this is available at www.ascl.org.uk.

The affordable PTR follows from three numbers:

- Average teacher cost / revenue budget per pupil (the **ratio**), eg £50,000 / £5000 = 10
- This number is divided by the **proportion** of the budget available for teaching cost, eg 10 / 0.6 = 16.7
- So, **ratio/proportion = affordable PTR**

In the example the affordable PTR is 16.7. But that is not the single right answer: it can be varied to match what a school decides it needs. The choice, however, has consequences. A shift from 0.6 to 0.62 in the proportion of budget available for teaching costs in a school of 1,000 pupils equates to roughly 2 teachers or 5 support staff, or 5,000 books or 140 laptops.

Both the proportion and the ratio have to be managed. Understanding that clearly is part of the key to enabling flexible and adaptive responses.

Find out more

If you would like to investigate this theme more widely, you may be interested to look at the following resources (see References for full details): National College, 2011a; DfE, 2010; IFS [online]; DfE [online].

See also Case study 3 and Case study 4 in the supporting case study paper.

Use of the pupil premium

One of the most significant changes in school funding has been the very recent introduction of the pupil premium, with its ambitious goals in terms of raising the achievement of disadvantaged children and young people. This research sought to understand how school leaders were responding to this and developing strategies for its use. The levels of support provided through the pupil premium will vary according to the make-up of each school and will increase over coming years, but it is still in the earliest stages of implementation.

By no means every school was better off overall as a result of the pupil premium funding they received. Only two-fifths of respondents whose schools were receiving the pupil premium said they would gain an overall increase in their budget in 2011-12. While nearly half of the respondents attached very high or high importance to the pupil premium, for many it represented a relatively small element of their budget. For instance, in one primary school with 20 per cent of children eligible for FSM, the pupil premium amounted to only about 2 per cent of its total budget.

Respondents in receipt of the pupil premium were divided between those who said they were using it to target all underachieving pupils, compared with those who were explicitly targeting FSM-eligible pupils. Some schools, both primary and secondary, reported considerable difficulty in getting all those parents eligible to register for FSM to actually do so.

The strategies that schools reported using their funding to implement were often built on things they were already doing which they had found to work. These included:

- putting in place early intervention support for children most at risk
- providing one-to-one support and tuition
- offering extended services
- targeting parental engagement
- subsidising school trips and other learning resources
- providing additional summer camp and residential opportunities
- funding additional staff or co-ordinator roles

Primary schools

There is evidence that the pupil premium was a significant factor in the ability of some primary schools to implement changes at a time of tightening budgets overall. The contrast between primary schools with high numbers of children with FSM eligibility and those with low numbers was considerable in terms of its impact on school improvement planning.

The two strategies most favoured by schools, whatever their level of FSM, were early intervention and one-to-one support. However, the discrepancy between high-FSM (above 20 per cent) and low-FSM (below 10 per cent) schools increased markedly with other interventions: less than half the number of schools with low numbers of FSM-eligible pupils targeted extended services compared with those with high numbers of FSM-eligible pupils. Only one-third devoted resources to increasing parental engagement. High-FSM schools were three times as likely to appoint a lead co-ordinator.

Primary schools with high levels of FSM-eligible pupils reported a wide range of strategies that they were able to fund. The most often quoted include the use of additional teaching assistants with a variety of roles assigned to them: in-class support, targeted support for individual pupils, withdrawal groups, and speech and language support. These were usually designed to tackle specific needs and reduce the attainment gap for pupils eligible for FSM (see Vignette 5).

An indication of the range of activities being funded through the pupil premium in different schools included:

- funding piano lessons
- developing a career aspiration programme
- funding a learning and equalities champion
- speech therapy
- homework club mentoring
- help with the purchase of school uniforms

A few schools also decided to use the funding to provide additional teaching staff, for example to reduce class sizes or to support a reading strategy.

Vignette 5

This large primary school became an academy in September 2011. It has a high proportion of pupils from minority ethnic backgrounds, including those who speak English as an additional language (EAL). The school uses pupil premium funding in a targeted way to improve the provision of support. A family support worker has been appointed and the funding is used wholly on pupils on School Action and School Action Plus. As a consequence, all pupils within classes are supported, leading to positive impacts on their achievement.

The school has developed a number of strategies for generating additional income to support opportunities for pupils, including selling advertising space on its minibus and developing partnerships with local businesses and the local football club. Overall, the increased financial flexibility which has come from academy status has ensured that the school can retain its staffing levels, and has enabled it to source and provide training for other schools in the cluster group.

Schools have developed a wide range of different priorities for identifying how pupil premium funding should be targeted on children who are eligible for FSM. Literacy and numeracy are common targets for interventions that seek to improve the lower attainment of those from a disadvantaged background. The impact of interventions was frequently expressed in terms of pupil attainment, in some cases related to specific ages, so for example, one school leader believed the biggest impact on attainment would come from focused support for pupils in Years 3 and 4. Other initiatives included improving attendance, providing after-school clubs, early intervention for those with special needs, funding school trips, providing equipment and, in several schools, targeting children for whom English is not their first language.

However, even where there was high eligibility for FSM, the full potential of the pupil premium was not always realised, as Vignette 6 illustrates.

Vignette 6

A medium-size Church of England primary school from the survey has a high number of pupils who claim FSM. Even so, most of the parents of the one-third of pupils who come from Eastern Europe have not been able to claim or are unwilling to do so. As a result, there is a particular gap in provision for EAL pupils due to the loss of specific grant funding.

The school is trying to raise additional funding and the SBM plays a key role here. There have been increased lettings, more bidding for grants (including funding an EAL homework club), some reductions in procurement costs, and the headteacher is providing external consultancy, which produces a significant income. The school has also reworked its special educational needs (SEN) provision towards in-class support, which has been successful in enabling pupils to transfer new skills more effectively into the classroom situation. An initiative to support a growing number of pupils with dyslexia also benefits those with EAL and ensures the school is more user-friendly for pupils with language difficulties.

Many of the primary schools with high numbers of pupils who are eligible for FSM had adopted comprehensive programmes of support with a clear focus on raising individual achievement. Some preferred to reduce the teacher:pupil ratio to enable closer monitoring of individuals and more detailed and regular assessment to promote learning. Where necessary, one-to-one strategies focused on the specific needs of individuals and tried to overcome the effects of disadvantage, for example in vocabulary teaching, improving readiness for learning and supporting vulnerable pupils. Other initiatives targeted parents through engagement programmes, appointed learning coaches, and additional educational psychologist time.

There was a major contrast with primary schools that had low levels of pupils eligible for FSM. In general, pupil premium funding for these schools was too small to be used for specific initiatives, although it may have contributed to their funding. For those that did receive a useful sum, in-class support was most mentioned as the strategy that it supports (see Vignette 7).

Vignette 7

One large primary school with an average number of FSM-eligible pupils but a high level of need faces particular challenges because of a high percentage of EAL pupils who do not qualify for the pupil premium. It decided that its key priority in raising achievement was to focus its support as early as possible in the life of a child, with additional hours for teachers and teaching assistants, particularly in its Early Years provision and its nursery for children coming up to four years of age. The strategy uses a combination of one-to-one tutoring for children identified as being from financially deprived backgrounds with intervention groups for those needing particular support. A new reading scheme has been adopted and regular assessment is used to set individual targets. The combined effect of the different elements of the strategy has been a significant rise in Key Stage 1 results and, as a consequence, Key Stage 2 results are also rising.

As might be expected, these schools also had a smaller range of priorities for the use of the pupil premium, with underachieving pupils generally targeted through strategies funded by the main budget. Typical strategies that had been identified included a focus on literacy, building self-esteem and funding extra-curricular activities.

Secondary schools

For secondary schools, the proportion of funding that came from the pupil premium was generally much smaller than for primary schools, and therefore this aspect of funding received less attention. Not surprisingly, those schools with fewer FSM-eligible students reported fewer strategies for its use, as the funding added little to the support that they were already providing. One school was offering additional career information, advice and guidance (CIAG). Priorities for support were determined by progress and assessment needs, often related to achievement that was below expectations. One school noted the purchase of additional equipment and the funding of ways to enhance learning experiences, such as trips and visits.

Schools with a higher level of FSM-eligible students mentioned opportunities to buy in external services (particularly educational psychologist time). They also had a wider range of initiatives (see Vignette 8). Most were still focused on raising individual achievement, particularly in English and maths, and, where appropriate, the integration of EAL pupils and support for looked-after children. Several schools were maintaining one-to-one intervention strategies with pupil premium funding.

Vignette 8

This mixed Roman Catholic school catering for pupils in the age range of 11–16 has 913 pupils on roll. A significant proportion come from well below average socio-economic circumstances and the school, in partnership with the health trust, carries out work in relation to areas of deprivation. A good deal of school-to-school support is provided, including support work in primary schools. It funds the deployment of a mathematics teacher to work 50 per cent of time in the school's five main linked primaries to improve learning and attainment, close the gap and support transition. In addition, the school co-ordinates school-to-school support across the borough, commissioning and deploying staff to and from other schools and agencies. This provides significant professional development opportunities for staff while at the same time having a positive impact on staff and pupil motivation. Middle leaders in the school are being developed to take on other responsibilities in building sustained leadership capacity.

Special schools

The very different funding approach for most special schools compared with secondary and primary schools reflected their view of the pupil premium. Only a small minority of respondents stated that the pupil premium was significant in their finances. Of those who indicated a specific use for pupil premium funding, more than four out of five invested in one-to-one support, and more than two-thirds used some of the funding to develop confidence and self-esteem, for early intervention, and to subsidise school trips and other learning resources. Particular initiatives funded from the pupil premium included enabling smaller group sizes in English and maths, funding a member of staff to promote parental and pupil engagement, subsidising school meals and purchasing items such as glasses, shoes and dental treatment for children.

There was also a variety of criteria used to target the funding: the most common were children in receipt of FSM and looked-after children, but others included children without access to ICT at home, vulnerable pupils, pupils without parental support and pupils with particularly complex needs.

The impact of the pupil premium on pupil achievement was generally seen to be low because of its limited size and the different ways in which special schools, particularly those catering for the most profound needs in pupils, measure achievement.

Key elements of leadership responses

It is in some ways too soon to make judgements about the effectiveness with which schools are making use of their pupil premium, for all the reasons already discussed above. But three key features characterised the responses of leaders who could identify most clearly the impact they were making. These were:

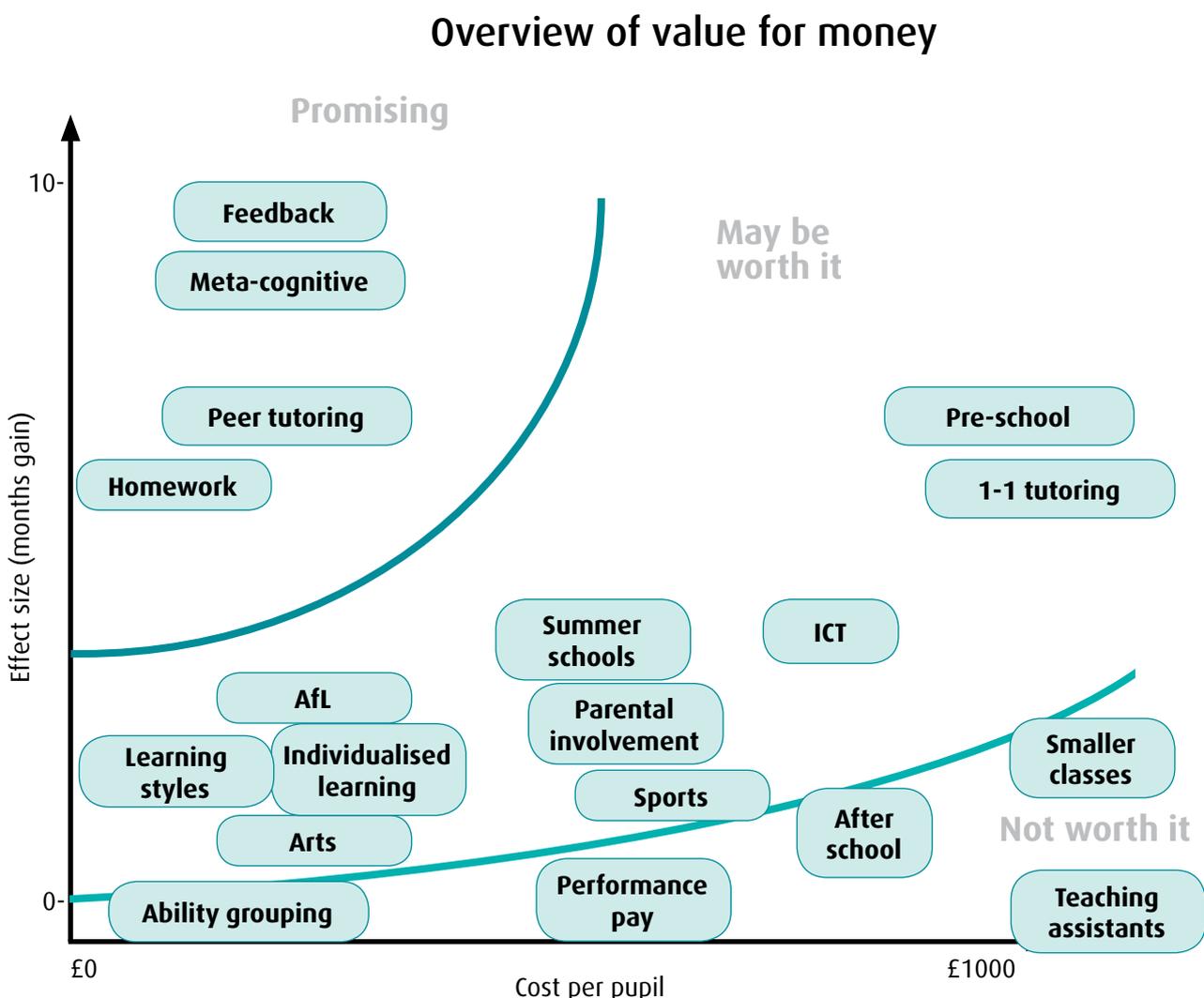
- evidence-based intervention
- highly rigorous and challenging pupil progress tracking to ensure close targeting of the intervention
- flexible, rapid impact

Evidence-based intervention

Effective schools try to base the chosen interventions on the best available evidence. Some of this evidence is derived from external sources and some from their own internal evaluation and analysis.

Examples of the sort of external evidence being used includes research from the Sutton Trust and the Education Endowment Foundation (EEF) about the cost-effectiveness of alternative approaches to intervention, which Figure 1 summarises.

Figure 1: Potential value for money of different intervention strategies.



Source: Major 2011

Alongside the use of evidence was a clear sense of purpose, which placed value on every child. As one case study headteacher put it, “We are driven by a belief in children”. She aimed for that focus on children and learners to then lie at the heart of every decision. “It’s about the children, not the adults. When I buy an adult, it’s to help a child, not to minimise damage for other children”.

Highly rigorous and challenging pupil progress tracking to ensure close targeting of intervention

The internal evidence used was based on highly rigorous and challenging target-setting and tracking. The most successful schools set targets that were highly challenging for their pupils, often well above national expectations, and then monitored progress against them systematically and frequently. This enabled the school to identify which pupils required intervention and at what point in time. The intervention was then carefully focused and targeted, and it was expected to make a difference within a clearly defined time period.

Flexible, rapid impact

These leaders also recognised that flexible responses were required. What worked for one pupil may not work for another. What was needed at one time was not needed indefinitely.

So interventions changed, and if one thing did not appear to work for an individual, something else was tried. In this sense, such schools avoided over-categorising pupils. Although there was an important sense in which some of the causes of underachievement might be long-standing, deep-seated and from outside the school itself, the school did not allow that reality to create inertia:

Sometimes things don't work, so you try something else. It may be quite an individual reaction – it doesn't mean it was a bad idea in the first place.

Headteacher, Case study 8

It may also mean being willing to think outside the box, for instance using the pupil premium to create a new post of learning and equalities champion (see Vignette 9).

Vignette 9

Collectively, a range of initiatives form a programme for raising aspirations in this urban primary school. One of these is the creation of a new non-teaching post of learning and equalities champion (LEC). Started in September 2011, the role is to champion the needs of the vulnerable – those not normally championed. The postholder works closely with a parent support worker (funded in partnership with Barnardo's) who is looking to work with parents and the community to develop long-term change. The LEC post will have long-term benefits, but the focus is short term and on what can be done to support the immediate, practical difficulties faced by vulnerable and disadvantaged pupils. Often this is about simple things that parents are not doing: "This is the only chance to change the cycle of their lives".

Find out more

If you would like to investigate the pupil premium theme further, you may be interested in the following resources (see References for full details): Higgins et al, 2011; National College, 2011b.

See also Case study 2 and Case study 4 in the supporting case study paper.

Efficiency, innovation and entrepreneurship

This section focuses on the way in which leaders are responding to changes in funding through innovative and entrepreneurial approaches, including increased efficiency.

The research found marked similarities in the approaches to efficiency, innovation and entrepreneurship from primary, special and secondary schools. What was clear from the research was that school leaders are becoming more rigorous in assessing value for money and that many are becoming more entrepreneurial in how they generate income and use their resources to maximise value.

Three-quarters of respondents to the survey indicated that they were looking for immediate efficiencies in procurement and resource use in 2011-12, with just over half continuing this process into 2012-13. Similarly, three-quarters indicated that they would be making savings from, or cutting, non-essential expenditure in 2011-12, with nearly three-fifths continuing this process in 2012-13. Nearly three-fifths were also looking at making savings through increased collaboration with other schools in this financial year, with many more planning to do so.

Just over one-third of schools responding said that the proportion of income the school was generating from its own activity was increasing. Over a fifth of schools either had, or were planning to appoint, a member of staff with specific responsibility for fund-raising. Common income-generation activities included:

- searching for external grants
- hiring out facilities
- providing additional services to the community
- providing training and consultancy
- doing more to promote the school to potential parents through marketing

Examples from primary, secondary and special schools

Given the similarities in approach between primary, secondary and special schools, the examples below are drawn from a range of settings and are indicative of potential approaches relevant to all schools regardless of stage.

Schools were adopting a wide range of strategies to reduce costs and increase income. Cost reductions typically focused on reducing procurement and energy costs. However, other interesting examples were identified in relation to sustaining and building capacity (see Vignettes 10 and 11).

Vignette 10

One interesting innovation introduced by the SBM has been in the use of apprentices as part of the various site teams. Two years ago a training provider approached the school, seeking its involvement in offering work placements. Although worried at first about the obligations, the school decided to take one apprentice in the first instance into the site team. The opportunity was advertised by the training provider and attracted a huge response, with the school making the final selection. The successful candidate has now completed her training and been taken on full time by the school.

The training provider carried out much of the general on-the-job training, but the school added to this in terms of site management and caretaking. The school now has three further apprentices: an IT and sound technician, one in catering, and one in student service administration.

The school estimates each apprentice saves about £5,000, less the additional training input made in kind by the school. It sees the benefits as being:

- training opportunity for young people
- personal development for line managers on the staff
- cost-effective way of filling vacancies
- possibilities for succession planning

The focus on ensuring value for money was as important – and often more so – than the focus on securing additional income. These schools were generating an ethos of challenging the need for expenditure, exploring the most cost-effective ways of delivery, and understanding the cost implications of any proposed activity. This ethos was increasingly school-wide and often underpinned by a commitment from all staff and governors to collectively address the funding challenges they faced.

Vignette 11

This large urban 11-16 school brought its management of cleaning, catering and site facilities in-house to bring cohesion to the provision of services. There are now in excess of 80 support staff (slightly more than the number of teaching staff) on a range of contracts appropriate to need and specifically designed to provide value for money.

Efforts to generate additional income by schools generally focused on four broad areas. These were:

- seeking grants as widely and as innovatively as possible
- undertaking consultancy work (especially by the headteacher)
- charging for after-school activities
- trying to attract more pupils by raising the school's profile

The most successful schools took a systematic and rigorous approach to such activities (see Vignette 12).

Vignette 12

This medium-sized secondary academy (11-19) has a long-term plan to raise significant additional funding and direct support for the school. It has appointed a full-time development manager with specific objectives that are related to achieving projects identified through the school planning process. These cost between £10,000 and £20,000, have no significant future revenue implications and, whilst they must benefit the main school priorities, would be unlikely to be affordable from the school's normal funding. Fund-raising has been systematic in approaching those already supporting the school (including parents and former pupils) to improve the flow of regular donations by more effective marketing. All nearby commercial concerns have been approached to seek long-term support, which can include staff time and expertise as well as money. School facilities and the school's success in the performing arts have also provided regular sources of funding. Finally, an audit of parent skills has identified those willing to provide free professional advice that would otherwise have to be paid for.

Many school leaders indicated that they were identifying new sources of potential funding (for example the Education Endowment Foundation). However they were also aware that such opportunities required additional time and energy and if they were to be used to best effect, should be linked to existing priorities in school improvement plans (see Vignette 13).

Vignette 13

The SBM of this primary school, which is part of an informal cluster, went to an EEF conference and came back with lots of ideas and is now looking at larger funds that might be of benefit to the whole family of schools, such as a play leader for each primary school. The idea would be to use EEF funds to establish the project and then use pupil premium funding to make it sustainable. The SBM has been successful in achieving grants before. The main difficulty is not seen by the SBM to be bid-writing or submission as much as the expectations this then places on the school for delivery.

Entrepreneurship was having its greatest impact in instances where leaders had invested time in understanding the key issues the school faced and targeting funding at meeting these needs (see Vignette 14).

Vignette 14

This special school provides education for both day and residential pupils with a wide range of visual impairment and other complex needs, including severe, profound and multiple learning difficulties. It is a local and regional provider of specialist provision. Some lost grants in the dedicated schools grant (DSG) are replaced to a degree by the pupil premium.

The school has had to be creative with budgeting. Sustainability and the maintenance of in-house provision are essential. The school trust is active in generating additional resources, for example, £30,000 a year for music and the performing arts. In the last eight years, there have been three substantial fund-raising campaigns, raising funds for the school's hydrotherapy complex and a special sensory environment in one of the school's centres. The school actively seeks commercial sponsorship and is proactive in organising events such as golf days, local dog-track evenings and parents' evenings. Staff are used in a creative way, for example, a specialist teacher provides support to a hospital, with the school using the income generated to redirect service delivery, thus responding to the needs of parents and pupils.

School leaders were increasingly aware of the link between the number of students on roll and the school's income. This in turn helps to create a culture in which governors, senior leadership and staff more broadly recognise the importance of marketing the school and raising its profile to potential parents.

About half the school leaders responding were actively encouraging and promoting the use of school facilities outside school hours by pupils, families and the wider community (see Vignette 15). However, such activity was not viewed as a major source of income and instead was driven by a desire to promote links with the community and build social capital.

Vignette 15

In this inner-city primary school, generating additional income is an objective in relation to the performance management of the SBM and the premises officer who are looking to generate between £120,000 and £150,000 a year. The site manager manages lettings, which include the Arabic school, and the school carparking space is rented out. Income from the virtual school raises £18,000 and the school currently generates between £75,000 and £80,000 through the local carnival. With the Foyles Foundation, the school is working to fund the school library separately from the school budget. The school has been particularly entrepreneurial in its decision to rent out the playground to marketholders at weekends and as space is at a premium in the area, it has generated a significant amount of interest within the community.

Key elements of leadership responses

School leaders identified three key leadership strategies in relation to promoting efficiency, innovation and entrepreneurship. These were as follows:

- Significant savings can be made from collaborative approaches to procurement and by challenging and questioning existing or new contracts against value for money criteria for all services provided. For one head, (Case study 2), "There is a whole-school approach to value for money, and the school is currently reviewing all local authority [service-level agreements] and replacing these where appropriate. The extent to which staff understand value for money is now part of my performance review".
- Leaders recognised the need for strategic approaches to income generation which ensure that investment in time and energy is directly linked to existing priorities in the school improvement plan.
- Leaders argued that decisions on the use of both existing and new or additional funding must be based on rigorous analysis, particularly of the needs of the most disadvantaged and vulnerable pupils. Monitoring and evaluation of funding allocations must be used to inform future cycles of investment and if there is no clear evidence of impact or added-value from additional resources then future allocations should be challenged.

Find out more

If you would like to investigate this theme more widely, you may be interested to look at the following resources (see References for full details): DfE [online]; National College [online].

See also Case study 1 and Case study 9 in the supporting case study paper.

Collaboration and partnership

The theme of collaboration and partnership emerged directly from the research process as the range of schools drawing on partnerships or collaborations became clear, as well as the wide variety of forms this now took.

Although only a quarter of schools responding were in some form of formal chain, cluster or federation, over half of other schools were engaged in some less structured collaborative activity. This was true of all sectors and the trend appears to be increasing.

Why schools were collaborating

There were a range of purposes behind the collaborative arrangements encountered by the research team. These often reflected, in part, a response to the diminishing role and services provided by local authorities. Two main purposes appeared common: a) shared services and b) tendering or bidding.

Shared services

The development of partnerships, clusters, federations or chains was seen to be a powerful tool in negotiating with suppliers. Schools were renegotiating, or withdrawing from, local authority agreements where these were not seen to give value for money. Working together they were able to secure considerable improvements to service level agreements. According to local needs and circumstances, the range of collaborative activities involved might include joint CPD, equipment purchasing, and shared staffing, leadership, facilities, resources and expertise (see Vignettes 16 and 17).

Vignette 16

This rural primary school expects to make considerable savings and cost-efficiencies and to achieve increased value for money through the establishment of a co-operative educational trust. The purchasing power of 17 schools is collectively expected to make considerable savings through renegotiated service agreements.

When it took over the management of the adjoining nursery, the school discovered a £10,000 deficit of outstanding non-payment of bills. A taskforce led by the chair of finance together with the deputy and the nursery co-ordinator remodelled billing systems and virtually removed the deficit. The model is now being rolled out into out-of-hours clubs. Simple things such as increased use of BACS payments have saved money and time. The hiring out of school facilities (for example, the swimming pool) brings in additional income, but this is seen to be more about building relationships with the community than a major source of revenue.

Tendering or bidding

Increasingly schools were working in partnership to improve their opportunities for securing additional funding from alternative sources. This was sometimes a requirement of the funder. However, a common reason for this focus was also to address issues of wider significance than the individual school. These schools saw a need to work with parents and their wider communities in order to be able to work successfully on closing the attainment gap for all pupils. There was a shared moral purpose and responsibility. They recognised they could not do this in isolation.

Vignette 17

This localised group of 4 secondary, 2 special and 30 primary schools has held regular meetings over a long period. The principle is that all are working together, and this is certainly not a pyramid. Extended school development has been fitted into this framework in recent years. They agreed to operate as one large cluster. A project manager was recruited. He taught schools how to bid, and this opened up a range of opportunities in accessing new sources of funding and showed the real strength in collaboration. The manager was retained when funding ceased and he opened the work up to include drawing in support from business.

How schools were collaborating

Most schools that had developed collaboration along either of these lines found that they needed at some stage to address questions of structure. The move was from looser to tighter structures to gain maximum benefit and effect. This was taking a number of collaboratives into exploring new forms. In some cases this was a charitable trust, but the idea of shared ownership was also evident in examples of those choosing to form a co-operative or a community interest company (see Vignette 18).

Vignette 18

This community interest company was only formed in December 2011, after a long process of decision-making, consultation and set-up, so it has no track record as yet, although it grows out of a long-established and very successful collaboration. The mission of the company is to narrow the achievement gap in local schools, raise the aspirations of children and young people, and create a high-quality workforce. It aims to deliver a variety of extended services, provide locally determined measures to enhance educational opportunities and enhance the sustainability of collaboration.

The partnership had looked at first at charitable status but rejected this in favour of a social enterprise because the members wanted the organisation to be independent, and felt this route provided a better opportunity for that.

The company has three directors, comprising an employed chief executive, the head of a junior school in the partnership and the head of the local housing association. All school members pay £1 per pupil a year into the company. A steering group of 15 heads and other community leaders advises the directors. The exact relationship between directors and steering group is still being worked out.

Establishing the company proved very difficult because of the lack of precedent and advice. The partnership had to find its own way through all the legalities. Their key advice to others is to take it slowly and build relationships first. Trust is paramount. It was an evolution not a sudden step.

Whatever structural route was taken, the decision had to be based on a clear agreement and shared understanding of purpose, roles, contribution, responsibility, and accountability.

Key elements of leadership responses

School leaders identified three key leadership strategies in relation to collaboration and partnership. These were as follows:

- **The need for leaders to invest in partnership development:** for one head (Case study 3), “We invest in community partnerships not always for immediate reward but because we don’t know when we might need help and support back”. The research showed that successful partnerships required commitment, nurturing and support. In strong partnerships someone took responsibility for developing and maintaining that. In some cases it was the SBM, but not necessarily or always. They are however senior leaders.
- **Increasingly, successful leaders will need to develop the skills for collaboration and partnership development:** the skills of financial management are not the same as the skills of partnership development. What is important is that partnership skills are recognised and in place somewhere within a leadership team. As one headteacher (Case study 6) put it, “Those deputies that have the skills to collaborate will be the ones that will succeed”. Leaders who understand this had a sense of the wider picture. They are not inward-looking and understand clearly that no school is an island. Their pupil community is broader than just the school community and they identify a strong sense of moral purpose in the community of schools.
- **As partnerships develop, leaders need to know about, understand and have the skills to identify and take forward different and broader organisational structures that maximise the impact of collaboration:** through partnerships and collaboration, leaders are strengthening their bargaining power to secure services through local authorities or are finding alternative, better-value contracts elsewhere.

Find out more

If you would like to investigate this theme more widely, you may be interested to look at the following resources (see References for full details): National College [online], Models and partnerships; The Co-operative College [online]; Guardian [online], Community interest companies and the CIC Association [online].

See also Case study 3, Case study 5 and Case study 11 in the supporting case study paper.

Leadership and governance

This report has discussed leadership within the context of each of the key themes and rather than rehearse these findings again, this section explores a number of broader leadership and governance issues identified during the course of this study.

Roughly two-thirds of the leaders responding to the survey said their confidence in their team's ability to respond positively and creatively to current changes was high or very high. The proportion was broadly similar across all sectors.

The role of SBMs

The role of the bursar or school business manager (SBM) appears to have taken on increasing importance in enabling school leaders to focus on core business at a time of change. Nearly three-quarters of the respondents reported that their school had an SBM. When the SBM role was most effective, it was as a key member of the school leadership team (SLT), as was the case in 70 per cent of the schools that reported having an SBM. In such instances, the SBM helped inform discussions on financial matters and was also core to strategic decisions on whole-school planning and improvement (see Vignette 19). In the words of one headteacher (Case study 11), the SBM role "has become the glue that holds the school together".

Vignette 19

In this large 11-16 city school the director of business and school services is a member of the SLT and her role is to develop and manage the strategic relationship between teaching and learning and business support services. She works in close partnership with the deputy head (finance and curriculum) to integrate financial management and school improvement planning.

The previous bursar did not have this strategic role. The director of business and school services sees her role more as ensuring cost-effective use of resources than, primarily, to attract new funding. An example would be the reprographics services. The school now has a centralised, high-quality reprographic unit which operates a business model within the school and includes the provision of external services, ensuring excellent value for money within the priority of cost savings. Having established successfully the internal management of facilities, the school can now look to explore additional funding opportunities in providing services to the community. This model of building and securing effective internal capacity before offering external services will be followed by other services, such as catering.

In instances where the SBM made the greatest contribution, there was a clear understanding as to the focus for their role among all concerned. Conversely, the absence of this common viewpoint was a serious obstacle to making the most of this role (see Vignette 20).

Vignette 20

A previous attempt by this rural primary school to appoint an SBM failed. The main reason was seen to be a lack of clarity in the job description and the poor quality of applicants, given the funding that was available. A new trust-wide business manager is now to be appointed, shared across schools, and with a clear role of generating income and achieving cost savings. Performance indicators may be linked to income generation.

Schools in this study reported that their SBMs had a range of responsibilities. These variously included office and financial management, corporate services and strategic planning. Some also had a direct brief for generating additional funding and in some instances developing partnerships. Clearly these different responsibilities also demanded a range of skills. However, in all instances, SBMs were viewed as most effective when they were able to use and apply financial experience to educational contexts and at the same time help school decision-makers understand the financial parameters of their options.

The SBM role has been particularly significant where schools have converted to academy status, handling all of the associated legal, contractual and tendering arrangements for that conversion (see Vignette 21).

Vignette 21

The SBM in this large secondary school has been in post for two years and the head was appointed three years prior to that. The head had made some big curriculum changes, but inherited financial instability because of poor information. The SBM had to start by unpicking health and safety, finance and support staffing. The role of the SBM has been crucial as part of the SLT in the conversion process, enabling the head to delegate tasks related to processes, suppliers and tendering. There was, though, a need to reinforce the finance team. One of the benefits of academy status was that it made the school review all its processes and business routines. "We would not have done this otherwise, it would have stayed on our wish list. But it has led to better solutions". The SBM continues: "The process has developed me, in terms of resilience, trust and delegation in particular".

The role of the governing body

The process of academy conversion also provided good examples of the importance of getting governance arrangements right. One head reports (Case study 8), "The governor strategy group was key to the process in enabling streamlined decision-making against very tight timescales". But that efficiency in decision-making hinges on a clear common purpose and understanding that is widely shared beyond the core group.

School leaders expressed a range of views on the contribution their governing bodies made to strategic budget planning in the context of change. For some, the strength and quality of challenge and input was highly valued, while others were less positive about the added-value the governing body brought. Indeed, it is clear that some heads prefer to keep their governors at arm's length in these matters.

Where governing bodies were seen as most effective in their contribution to strategic budget planning, governing body structures and business cycles were designed and meshed together to facilitate effective decision-making. The membership of the governing body and its committees and working groups had also been carefully considered and developed, with membership based on skills and the contribution members can bring (see Vignette 22). Governors also understood their responsibility to network and to bring expertise into the school, and to think carefully about succession planning, particularly in relation to the role of the chair.

Vignette 22

One of the governor task groups in this inner-city primary school was a PR and marketing group that developed strategies to raise the profile of the school within the local community and with potential new parents. It produced leaflets and a strategy for distribution across the city, organised open days and identified target audiences such as international students at the university. Numbers on roll increased through this proactive approach.

The headteacher has developed the concept of associate governors. There is already a good range of governor expertise (including a lawyer, an accountant and an HR professional) but the school wanted a waiting list of people wanting to become a governor. This gave rise to the concept of associate governors, which also allows for training and succession planning.

In discussing the governing body, one headteacher (Case study 5) stated that: “Whatever we are faced with, we will deal with, whatever comes from the unknown”. It is perhaps the word ‘we’ that is the most significant in this comment. A recurrent message from many participants in this study has been about the need for shared understanding and ownership. In this way, both taking difficult decisions and finding creative solutions become more possible.

In the case of the role of SBMs, this means both having a clear understanding of, and insight into, the educational environment in which they work, as well as working to developing the understanding of the educators with whom they work about the resource dimension.

Similarly, with governing bodies, a common understanding about roles, purposes and strategic direction infuses their relationship with the leadership team, and is regularly renewed.

Find out more

If you would like to investigate this theme more widely, you may be interested to look at the following resources (see References for full details): Southworth, 2010; National College [online], Chairs of governors.

See also Case study 9 and Case study 11 in the supporting case study paper.

Conclusion and summary of key implications

Such a complex and continuing environment of change demands leadership which is adept and agile in charting a way through for each school. This report suggests that the leaders with the best chance of finding the right way forward for their school in meeting its resource challenges are those who take time to scan the horizon and whose staff share a strong sense of wider purpose and have trust in a shared uncertainty.

None of the school leaders who contributed to this research would make any claim to have achieved complete success in the way they have adapted to resourcing changes, or to have full answers as to what they will need to do in the future. But they have each developed some strategies, both in terms of resource management and leadership, which may hold some wider interest, as all schools grapple with their response to the context of change.

Each of the themes explored has highlighted a number of key implications for leadership responses to the changes in funding that are being experienced in local circumstances. These are summarised below.

Change

- The most successful leaders spend time scanning the horizon, anticipating change, and preparing for unknown eventualities.
- That means they take nothing for granted, and build capacity for flexible and adaptive responses.
- They do this on the basis of having a clear appreciation of the impact of individual spending decisions on their wider situation.
- The present difficulties in having a secure three-year budget scenario are making effective responses harder, but no less important.
- Staff development assumes greater importance in equipping people to cope with change and uncertainty. This might be delivered in variety of different ways, using in-house or collaborative expertise.
- Building trust and confidence at all levels is crucial.

Use of the pupil premium

- Clarity of values and core purpose drives priorities for using the pupil premium.
- Leaders project a strong expectation that everyone – staff, pupils and parents – will be the best they can be.
- Highly focused and carefully targeted support is provided to support people in meeting those expectations, and in the right amount at the right time.
- The most effective use of the pupil premium was likely to involve proactive monitoring against outcomes, using internal and external evidence well, to guide all decision-making.

Efficiency, innovation and entrepreneurship

- Being entrepreneurial or innovative is not just about attracting new funds. It is also about ensuring value for money and cost-effectiveness within existing known budgets.
- Strategies for generating additional funding need to be targeted against agreed priorities in the school improvement plan.

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- Utilising governor experience and networks builds capacity for increasing value for money and securing additional funding.
 - Securing value for money, alongside academic standards, is becoming increasingly important.

Collaboration

- Collaboration and/or partnerships are increasingly important in achieving cost efficiencies and value for money. Schools that collaborate are also in a stronger position to work together to secure new sources of funding.
- There is a growing need to be creative in making use of new forms of collaborative structures, such as charitable trusts, co-operatives or community interest companies, to access sources of funding which would not otherwise be available to schools.
- Partnership working and the ability to collaborate with other schools and external partners are becoming key skills for aspiring leaders. More leadership capacity can be effectively generated and nurtured internally within schools, clusters or chains.
- It is important for someone on the SLT to hold an explicit outward-facing role with responsibility for partnership development and raising the profile of the school both with potential partners and parents as well as with other stakeholders.

Leadership and governance

- In many schools, the SBM is now a key member of the SLT and pivotal in discussions on whole-school planning and improvement.
- The role and expectations of the SBM need to be clearly set out in a job description and understood by all parties. The role may involve office or financial management, strategic planning and/or the generation of additional or new sources of funding. If there is a desire for an SBM to be creatively exploring new opportunities, she or he must have the capacity to do so.
- Effective SBMs are able to use and apply financial experience to educational contexts. Effective strategic planning needs to be about achieving integration between finance, curriculum and pastoral support.
- An understanding of the school's finances and sources of funding is vital for all, including governors, the SLT and staff. If there is a shared understanding of, and a shared ownership and commitment to, financial challenges, it makes difficult decisions and solutions more possible.

Implications for the National College and wider system

This report indicates that school leaders are facing a challenging funding context, characterised by significant change and uncertainty. While around two-thirds of schools appear to be confident they have the skills and capacity to cope with change, that still leaves a significant minority that may require more attention.

It will be important for the National College to continue its work to equip school leaders, including SBMs, with the skills and information they need to secure value for money and to cope with change. Equally, given the importance of collaboration between schools in helping ensure they have the capacity to share resources, create the best learning opportunities for all and drive efficiency as local authority support reduces, it will be important that wider policy supports schools to achieve such partnerships, for example through the development of chains, federations and some of the innovative organisational arrangements referred to above.

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