Getting the Best from Your **Budget**

A guide to the effective management of school resources
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Introduction

Background

Governing bodies and headteachers have direct control over substantial amounts of delegated funds. They make key decisions about the allocation of financial resources and often have to decide between competing priorities. In doing this they must ensure that this public money is spent wisely and to best effect. Governing bodies and headteachers have a responsibility to target resources to maintain and improve the quality of education they provide and to raise standards.

Responsibility for delegated funding brings with it two important roles:

• deciding how financial resources should be used;
• safeguarding public money from waste or misuse.

To help schools tackle the second of these responsibilities, OFSTED and the Audit Commission produced Keeping Your Balance, a set of standards for financial management and control. First published in 1993, this document was widely used by schools, inspectors and auditors. It was revised in October 2000 to take into account the increased level of delegation introduced in the School Standards and Framework Act 1998. A Welsh edition is being published jointly by the Audit Commission, National Assembly for Wales and Estyn.

What this guidance contains

Until now very little guidance about financial decision-making has been available to schools. Getting the Best from Your Budget offers a framework for determining the quality of the school’s strategic approach to the allocation of resources. It contains a set of principles to support financial decision-making and illustrations of effective practice in applying these principles.

The principles are grouped into five sections:

• setting the scene;
• establishing the financial context;
• making decisions;
• challenging how resources are used;
• monitoring and evaluating spending decisions;

Getting the Best from Your Budget has been developed jointly by the Audit Commission and OFSTED, following consultation with schools, local education authorities (LEAs) and professional organisations. This edition has been adapted for use in Wales by the National Assembly for Wales (NAW), Estyn and the Audit Commission. Self-evaluation software is available on the Internet to accompany the principles. The Managing School Resources Self-evaluation Tool uses responses to a series of questions to identify areas for improvement and produce an action plan for the school.

The roles of governors and the headteacher

This guidance emphasises the strategic role of the governing body. The governing body, supported by information and advice provided by the headteacher, decides the strategic direction of the school. The headteacher is responsible for implementing its decisions and the operational management of the school.
Introduction

In *Getting the Best from Your Budget* the term **governing body** is used to mean the full governing body or its committees, where responsibility can be delegated to a committee. Similarly, the term **headteacher** is used to mean the headteacher or another member of the school’s staff, where responsibility has been delegated to that member of staff.

**Strategic management of school finances**

The governing body is accountable for the way in which the school’s resources are allocated to meet the objectives set out in the school’s development plan. It also needs to retain a broad picture of the financial management of the school and contribute, through the full governing body and its committees, to the decisions that need to be made. In doing so, it must be sure that:

- the allocation of resources promotes the aims and values of the school;
- resources are targeted on improving standards and the quality of provision;
- resources are used to support the varied educational needs of all pupils.

In making their decisions, governors need to ensure that they achieve value for money in their allocation of resources. This means considering the three elements of economy, efficiency and effectiveness. Value for money is about achieving the best possible outcomes for pupils in the most efficient way and at reasonable cost.

To carry out its strategic role effectively, a governing body also needs to set out an annual programme and timeline for its work. This is likely to include reference to:

- when the full governing body and its committees will receive key information, review reports, proposals and other documents from the headteacher;
- how the governing body and its committees will use this professional input to make decisions, and when these decisions will be made.
- how committee decisions feed into the work of the full governing body;
- a timescale for the construction and approval of the school’s development plan and budget, both in detail for one year and in outline for at least the next three years.

Governors also need to be sure that the financial decisions made have been effective in bringing about the desired improvements in standards, pupils’ learning and the quality of education provided by the school. They do this by:

- monitoring the implementation of the school’s development plan;
- evaluating how effective the school has been in achieving the targets set in its development plan;
- evaluating the cost-effectiveness of decisions by weighing the resource inputs against the outcomes and benefits.

The governing body needs to take a strategic approach to monitoring and evaluation. For example, governors are not expected to undertake a detailed scrutiny of the school’s financial records, but to keep track of broad expenditure patterns through regular budget reports and ensure that any significant divergence from the agreed budget is explained and appropriate action taken.
Introduction

One of the key features of accountability is openness. Staff, parents and other stakeholders should know why key decisions have been made and how they will benefit children’s education. The governing body, therefore, needs to be sure about the educational reasons for decisions it makes and, where appropriate, inform staff, parents and, sometimes, pupils about the way it has allocated resources.

Best value

The best value framework requires local authorities to provide services and exercise their functions to clear standards and by the most economic, efficient and effective means available. Each local authority has to publish an annual best value performance plan and to review all its services every five years. In reviewing its performance each authority must show that it has applied the four principles of best value, set out below.

Schools and their governing bodies are not covered directly by legislation on best value. However, schools control a large proportion of the financial resources spent on education and their governing bodies are expected to use this public money wisely. Schemes for financing schools require governing bodies to submit to their local education authority (LEA), with their annual budget plan, a statement setting out the steps they will take to ensure that expenditure reflects the best value principles. Governing bodies, therefore, need to demonstrate that they are applying the four principles of best value in their management and allocation of resources.

The four best value principles, as they apply to schools, are:

- **compare** – how a school’s performance compares with that of other schools;
- **challenge** – whether the school’s performance is high enough, and why and how a service is being provided;
- **compete** – how the school secures economic, efficient and effective services;
- **consult** – seeking the views of stakeholders about the services provided.

Most schools are already able to demonstrate the application of the best value principles in their work. They use performance data to **compare** attainment and other outcomes with those from all schools nationally and with similar schools. They use the information gained to **challenge** their performance and set new targets. Where financial benchmarking is available, schools use it to **compare** their expenditure with similar schools. They also **challenge** their use of resources by examining what they provide and the different ways they can make that provision.

Schools use fair **competition** through quotations and tenders to ensure that resources and contracts for services are secured in the most economic, efficient and effective way. Schools **consult** parents on the development of many policies, for example the home – school contract. Less frequently, they **consult** parents and pupils on major changes in the use of resources which may affect the teaching and learning opportunities provided.

**Getting the Best from Your Budget** highlights each element of the best value framework as it occurs throughout the text. The examples of effective practice often illustrate how best value can be or has been achieved.
A1 Annual comparisons should be made between the school’s educational outcomes and those of similar schools to identify where the school needs to improve and target resources.

One of the key elements of planning is knowing where you stand now, so that you have a firm basis from which to move forward. Many schools are now making use of various data, including benchmark data produced annually by NAW, to see where they stand in relation to similar schools. These analyses are designed to set schools thinking about their performance and to generate challenging questions about where improvement is needed. In very small schools, staff and governors need to take account of the fluctuations in data that result from the variations in ability and numbers in different year groups.

Most schools now have performance data for several years and are fully aware of the trends in their assessment or examination results against the national picture. Determining how well standards compare with those in similar schools and challenging whether they are high enough are also crucial in developing an understanding of where the school needs to target resources to bring about improvement. (Best value – compare and challenge)

Comparing educational performance involves analysing and interpreting data from various sources, discussing outcomes and trends with staff and governors, and setting targets for the future that guide the school’s development plan and, ultimately, its budget.

A primary school discovered that its improved performance in Welsh and mathematics at the end of Key Stage 1 was above the national average and above that of similar schools. At the end of Key Stage 2, the school’s results in Welsh and mathematics were still above the national average. However, the Welsh results were below those from similar schools. When the senior staff analysed the results of teachers’ assessments, they agreed that they needed to raise their expectations of what pupils could achieve in writing in Key Stage 2, bearing in mind the school’s improved performance at the end of Key Stage 1. As a result, the school decided to use part of its professional development budget to kick-start a year-long development programme to improve the depth and the range of writing tackled in Key Stage 2.

A large, successful secondary school with above-average GCSE results analysed its examination data to identify in which subjects pupils were doing well and in which they were under-performing. Even though GCSE results in science were consistently above national figures, pupils at the school had not done as well in science as in other subjects over several years. Further analysis revealed a smaller percentage of curriculum time was spent on science than in many other schools. Evaluation of teaching showed much was of good quality but that teachers were hard-pressed to complete the double science course in the time available. As a result, a proposal was put to the governing body that science should be given increased time at GCSE, and that resources should be allocated to appoint an additional science teacher.
A Setting the scene

A2 The outcomes of self-evaluation and inspection should be used to identify strengths and target resources on areas for improvement.

A school that understands itself is in a much better position to move forward and meet the challenges it faces than one which does not know, or does not face up to, its weaknesses. Estyn inspections and monitoring by LEA link advisers or external consultants are the most familiar external evaluations experienced by most schools.

Good self-evaluation can be as rigorous as any from outside the school, although it may lack the same degree of objectivity. Self-evaluation has the potential to generate ownership of any problems identified and a commitment to make solutions work, building on good practice identified in the school.

Many schools are now using self-evaluation schemes from their LEA, elements of the Estyn Handbook for the Inspection of Schools, and other self-evaluation schemes such as Investors in People and the Business Excellence Model. Such schemes provide a structured approach to looking in depth at particular aspects of the school’s work and comparing performance against a set of benchmarks. Primary schools representing all LEAs in Wales have been involved in Estyn’s school leadership and improvement courses, which have included a strong element of self-evaluation. Whichever approach is used, the key to its success is to use the outcomes to challenge a school’s performance and determine areas for improvement. These, in turn, determine the priorities for the use of the school’s resources. (Best value – compare and challenge)

An infants’ school established a numerical link between its baseline assessments in language and number on entry to the school and the points scored in Key Stage 1 assessment results. It calculated each pupil’s average termly increase in points score. The school was then able to determine that its overall value-added measure was very positive. It calculated averages for each class and subject and used these to identify that one class appeared to be under-performing in mathematics compared with the others. Discussion between the headteacher and the teacher of that class resulted in agreement to target additional resources on training in mathematics for that teacher.

A secondary school evaluated the impact on standards of the actions which it had taken in response to the key issues from its most recent inspection. It used the evaluation to set new targets where targets had already been achieved. It also explored areas where the actions taken had been less effective in bringing about improvement. In some cases the school recognised that a change of direction might be needed and made use of specialist support from the LEA’s advisory service. This external evaluation brought a new focus to these areas and helped generate modified plans. As a result the school shifted resources from areas where targets had been achieved to those where improvement had not been so rapid.
A Setting the scene

A3 The school’s curriculum and its arrangements for support and care should be systematically challenged to ensure that they meet the needs of all pupils.

Once it has achieved a view of its performance through self-evaluation and external assessment, a school is well placed to challenge itself about what it offers its pupils.

The educational needs of pupils will change over the course of time and for a variety of reasons. Those in leadership and management positions at all levels need to ask themselves, and others, whether what is currently being offered has kept pace with these changes and whether it continues to meet the needs of all pupils. They should be carrying out reviews of the school’s provision, applying the best value principle of challenge and asking questions such as:

- Does the way we are currently teaching information and communication technology meet the needs of the highly skilled pupils joining us next year? How do we need to improve what we do?
- Does our provision of a pre-school breakfast club support the groups of pupils for whom it was mainly intended? Are there alternatives? What do other schools do? What do parents want?
- Does our investment of time in study support best meet pupils’ needs and fulfil the aims of the school? Are there better ways of providing this support? What are parents’ views?
- Are we delivering the results we could expect in providing this particular GCSE or A-level course? What are pupils’ views? What alternative approaches could we use?

Proposals for new initiatives, too, should be challenged to see whether they match the long-term direction the governors have determined for the school and are consistent with the future needs of all pupils. At the heart of all evaluations must be the impact on all pupils and the standards they achieve. (Best value – challenge and consult)

The introduction of a new LEA literacy strategy led to a primary school challenging the way it organised its library. Teachers were asked whether the stock was meeting the needs of current pupils, whose reading skills were significantly better than those of previous pupils. Following detailed discussion of the findings among staff, the headteacher brought a proposal to governors to make a significant investment in new and more challenging non-fiction books. The proposal also included plans to reorganise the library so that more use could be made of the Internet as an additional source of written and visual information.

The headteacher of a secondary school discussed with governors her concerns about an overlap between the integrated humanities course and the newly introduced social education course. The curriculum committee of the governing body asked the head of the humanities faculty to present a case for continuing to provide a GCSE in integrated humanities, rather than separate GCSEs in history and geography. Having heard and discussed both cases, the committee was able to make a secure decision to discontinue the integrated humanities course and to allocate resources to introduce both history and geography, giving pupils a wider choice of GCSE courses.
A Setting the scene

A4 Planning for the use of resources should support the achievement of national and local priorities as well as the school's own objectives.

Three main areas influence the way a school plans to use its resources. Firstly, national priorities, sometimes supported by specific funding and often based on legislation, drive much of a school's curriculum development. Secondly, local priorities, particularly in support of pupils from disadvantaged backgrounds, often involve schools in joint initiatives with other schools and local businesses. An LEA's Behaviour Support Plan is an example of a set of local objectives which can influence a school's use of resources. And thirdly, each school has its own priorities.

Schools often have to make difficult choices about the balance of resources to be allocated in each of these areas. The key to success here is to have good intelligence about national and local future plans, as far as the information is available, and how they might be funded. It is also important to predict what impact they might have on the school's own plans and budget. Where earmarked funding is available, schools will naturally wish to make full use of it.

One of the main objectives in a school's development plan was to reduce truancy, a key target for the LEA's Behaviour Support Plan. It was already making use of GEST funding to support contributions from the police and probation services. The school linked this initiative to its own objective to support the re-integration of long-term absentees. It made use of some GEST funding and its own delegated funds to employ and train additional classroom assistants to work in conjunction with the services provided through the Behaviour Support Plan. In this way the resources were used to support both the school's and the LEA's key objectives.

A secondary school recognised the need to build on developments in mathematics in local primary schools to improve its Year 7 course. Teachers and support staff discussed the implications of extending the work from Key Stage 2 into Key Stage 3 and drew up a draft plan to introduce the strategy, as they then saw it, to Year 7. Staff also indicated training needs and built these into the school's plans. As a result of its links with the primary schools, the school found that it was able to make decisions about resources and time allocations which built effectively on the work pupils had covered in Year 6.
B1 Strategic plans should be based on a sound analysis of the school’s financial resources for at least the next three years, obtained through projected pupil numbers and estimates of income.

It is often said that the annual allocation of funds to schools means that governors and headteachers can only plan one year ahead. Quite the opposite is true. The absence of secure funding information for two, three or more years ahead means that schools need to be much more aware of the likely turn of events so they can begin to plan effectively for future years.

Before budget commitments and staffing decisions are made or the school engages in long-term projects, the headteacher and governing body need to have as full a picture as possible of the school’s income for at least the next three years. As pupils are the prime source of funding, any calculation of income starts with an analysis of the most accurate estimates of pupil numbers possible. The picture is completed with an analysis of all other income the school is expected to receive. Schools in which the intake numbers fluctuate considerably will clearly find their situation difficult to predict with any degree of confidence and, here, maximum and minimum predictions may be helpful.

The detailed financial position of the school for the year ahead clearly needs to be re-calculated annually in the light of the latest available information before the budget is set. At this point, a further year’s outline information can be added to roll the plan forward by one year.

A primary school with fluctuating numbers of pupils made contact with the parents of all the very young children in the area to gauge the likely take-up of places. Using this information, it forecast its budget for the next four years, planned how children might be allocated to classes and the level of teaching and support staff required. The predictions were updated termly and the resulting analysis was used by the governors when forecasting expenditure across a range of headings and setting the budget.

Through its contact with local primary schools, a secondary school obtained the numbers on the roll in Years 1-6 in each contributory primary school. They assigned a percentage uptake figure for each school based on recent levels of entry, made allowances for out-of-catchment admissions and produced a spreadsheet model of the school’s roll for the next six years. It produced a model for the likely income and expenditure generated, at current prices, and the number of staff needed in each subject. All the inputs to the model were updated annually just before preparing the budget plan.
B Establishing the financial context

B2 Steps should be taken to ensure the school receives the funding to which it is entitled so that income is maximised.

This principle is primarily about making sure that funding is not lost by default and that pupils are not deprived of resources by oversight. It is not intended that schools should see it as pressure to seek external funds through, for example, sponsorship.

Schools receive income from a variety of sources, and checks should be carried out to ensure the school receives its full entitlement. Many schools have regular income through, for example, community use of their premises. It is important to have systems to ensure all income is recognised and collected. The complexity of grant arrangements outside the school’s budget share means it is vital that eligibility for each grant is checked.

There are many opportunities for schools to bid for external grants and create additional opportunities for the school. Many schools benefit from the generosity of parents and find that fund-raising activities involving parents and local community sponsorship are a valuable way to generate support and interest in the school. Schools need to be very selective in choosing which opportunities to pursue. They need to balance the time spent by the headteacher and other staff away from their main responsibilities against the likely income and benefits for pupils from bidding for external grants or funds from other sources.

A primary school’s deputy head annually checks the school’s allocation and use of GEST and other funding to ensure that no sources of income to which the school are entitled have been overlooked. She then reports to the finance committee through a standing item on the agenda for an early spring term meeting.

A secondary school with considerable community use found that letting income was falling well below its annual target through unpaid invoices. By transferring some administrative staff hours to the evenings and accepting cash payments at the time of the letting, it found that it avoided the need to issue so many invoices or reminders, increased its letting income substantially and achieved its income target.
B Establishing the financial context

B3 Strategic plans should identify resource needs for at least the next three years, including ongoing expenditure and funding of new initiatives.

Schools may have a number of strategic plans for aspects of their resource management. The three most significant are curriculum, staffing and premises. The school's development plan needs to include at least a summary of the school's strategic plans in these areas to give direction to the budget.

Curriculum development plans need to be drawn up following an analysis of the school's strengths and areas where improvements are needed. They should be costed to give short-term and long-term estimates of the resources needed to bring about the required development. Staffing plans will usually be heavily influenced by curriculum plans and again need to estimate the resource needs of the school in providing the planned staffing levels. Premises plans need to record both maintenance and development costs and, again, these are likely to be influenced by the school's curriculum plans, pupil numbers and the organisation of classes.

Estimated expenditure for the year ahead clearly needs to be re-calculated annually in the light of the latest available information before decisions are made and the budget is set. At this point, a further year's outline information can be added to roll the plan forward by one year. Spreadsheets can be used to help governors and senior managers calculate the financial implications of implementing strategic plans and keep track of costs.

A primary school assessed its expected needs for supporting pupils with Special Educational Needs (SEN), based on information from its attended nursery unit. Provision for the next year was funded partly through the school's share of LEA funding for SEN. Estimated costs of the planned provision were set out for the following two years, with final decisions about staffing levels and the use of other services being made once the extent of SEN funding for subsequent years was known.

A secondary school constructed a series of spreadsheets for its curriculum, staffing, premises and special projects strategic plans that linked directly to the school's budget planning software. For each area, the spreadsheet automatically transferred the relevant resource implications for staff time and other funding to the proposed budget (with staff time also being given a monetary value). A summary spreadsheet of the plans for each area, including estimated costs, was brought forward to form the basis of the school's development plan.
C Making decisions

C1 A number of options should be considered when deciding on a course of action and the costs of each should be weighed against the likely benefits.

Schools need to consider a number of alternative courses of action so that they can achieve a desired outcome in the most economic, efficient and effective way possible. Option appraisal is a process carried out when a new priority has been identified and before a precise course of action has been decided on. For each option, governors need to take into account the expected costs and weigh these against the likely benefits, particularly for improvements in teaching, learning and standards. Options in the relevant areas should be presented to governors in writing, before a decision is reached, with advantages, disadvantages and the resource implications clearly outlined. It is more helpful for governors if a particular course of action is recommended, but all reasonable options should be presented.

Option appraisal is not a precise science, of course, since in many cases the professional judgement of the headteacher or other staff is required to assess the potential benefits of a proposal. Options should not be viewed in isolation, either, as there are times when one the benefits of one alternative could go hand in hand with a negative impact elsewhere.

The process of option appraisal is one of the key ways in which governors can exercise their strategic role in making decisions for the benefit of the school's pupils.

A primary school found that it was likely to suffer a reduction in the number of pupils during the school year because a number of families were to be relocated by their employer. The governing body had to decide how to reduce expenditure over the current and next financial year. It considered a number of options presented by the headteacher:

- reducing significantly the scope of improvements to the school's buildings;
- cutting back on proposed expenditure on learning resources and staff training in history and geography;
- reducing the number of hours worked by administrative staff;
- reducing staffing in the following school year;
- seeking alternative sources of income.

It calculated the savings made under each option and then considered the likely impact on standards before reaching its decision to reduce staffing in the following year.

The governors of a secondary school intending to launch a vocational course in information technology considered a range of options before making a decision. These included:

- applying for technology college status;
- seeking other sources of funding;
- investing in its own equipment (through lease or purchase) and recruiting additional specialist staff;
- providing the course jointly with a neighbouring school, sharing staffing but using the other school's equipment;
- entering into a renewable contract with a local college to provide the course for two cohorts of pupils, using college staff and equipment.

The governors saw the opportunity for other pupils in the school to benefit from the additional computers through subjects other than ICT as an important factor in deciding to choose the more expensive third option, in conjunction with the first two.
C Making decisions

C2 Staff, parents and others involved with the school, as appropriate, should be consulted before significant changes are made to the allocation of resources.

One of the principles of best value is that providers of a service should consult the users about the range and quality of the services provided, particularly before making any changes to provision or the introduction of a new area of provision. In applying this principle to schools, parents, and sometimes pupils, should be consulted when proposals significantly affect the curriculum, teaching or the learning opportunities provided. (Best value – consult)

Staff need to be consulted more frequently about proposals for changes to resource allocations as they will be able to contribute ideas to support decision-making. Often, proposals will affect the way they are asked to work and sometimes changes are unwelcome. Good leaders and managers consult with all those likely to be affected and explain the educational rationale or financial imperative for resource management decisions.

Schools are not expected to consult parents on all financial decisions. Consultation with parents should be carried out when proposed changes may significantly affect the curriculum, the way in which teaching is organised or pupils are grouped, or the options on offer to them. This may be in the form of a written communication or survey, a meeting, or consultation with a representative group.

Strategies for consulting with pupils will depend on their age. Many schools have student councils or consultative groups at which proposals can be discussed. Appropriately designed questionnaires can work with pupils across almost all age groups. Consultation with pupils can also make a positive contribution to their understanding of citizenship.

To help raise standards, an infant school wanted to increase the involvement of parents in their children’s reading. This was to involve:
- a regular after-school reading club for children and their parents;
- a programme of visiting authors;
- increased book stock for each class and a library of literacy resources for loan to parents.

Funding was to be arranged partly through the school's budget and partly through a scheme in which local businesses made long-term links with schools. The headteacher wrote to parents setting out the proposals and held a meeting so that they could express their views. As a result of this consultation the parents gained a better understanding of the commitment expected from them. The active support of parents contributed significantly to the subsequent success of the reading development programme.

A secondary school wished to introduce a new subject at A level as sixth form numbers increased. It conducted a survey of pupils in Years 9-11 and their parents to gauge likely take-up. A more detailed pack of information was sent to those who expressed an interest and a further estimate of take-up obtained. The governing body received a paper summarising the costs of setting up and running the course, the likely impact on other subjects and a summary of the feedback from the consultation. Governors decided to go ahead with the introduction of the course because it broadened the range of A-level combinations its sixth form students could take and they felt it would contribute to improved standards.
C Making decisions

C3 Resources should be allocated across key spending areas so that high funding in one area does not compromise quality in another.

The allocation of financial resources across the budget is almost always a matter of fine judgement, since more could always be spent to good advantage under almost any budget heading. The skill is in achieving a reasonable balance between the main areas of spending, taking account of national and local priorities and the school’s objectives in its development plan.

One danger of promoting one area over another is that problems could be accumulating in areas of very low funding, for example the maintenance of the school. Another is that current decisions in areas of high funding might have long-term implications which will affect future budgets, as in the case of overstaffing. The key areas for consideration are whether current or proposed spending is sustainable over time, whether the quality of provision in other areas has been compromised and whether the proposed or current levels of resources have been sufficiently challenged.

Unusually high or low current or proposed spending in any area should prompt the following questions:

- Is the spending short-term or long-term? Will it change over time?
- Is the spending sustainable? How does it fit with other spending plans?
- Will the quality of provision in this area or in others be adversely affected?
- Have these spending levels been sufficiently challenged?

The headteacher and staff of a primary school were aware that the school’s very low pupil:teacher ratio meant that there was too little funding for support staff and resources and that this was limiting achievement. With the help of data supplied by the LEA link adviser, the headteacher was able to demonstrate to the governing body that the school’s spending on teaching staff was exceptionally high and spending on support staff and learning resources was unusually low. The governing body was prompted to re-examine its established policy of maintaining very low class sizes. It decided to reduce the number of teachers so that more funding could be allocated to support staff and learning resources. Governors were persuaded that the disadvantage of slightly increased class sizes were more than outweighed by the benefits obtained from increased support and better learning resources.

A secondary school reviewed all its spending under the headings used in the Audit Commission’s Financial Benchmarking website and compared its spending with that of a group of similar schools. Where spending was very high or very low in relation to similar schools, the school investigated the reasons for this. Staff also constructed a budget proposal for each area from scratch to identify possible savings while maintaining quality. This resulted in proposals to the governors’ finance committee for decreases where savings could be made and increases where additional resources were needed. Under-funded areas were to be better supported with the aim of raising standards. Some areas of relatively high or low spending remained, but governors were now aware of the reasons for this and agreed this pattern of expenditure should continue.
C Making decisions

C4 A transparent and documented system should be used for allocating resources to devolved budget holders for ongoing commitments and agreed developments.

Documented systems for devolving resources to individual budget holders should ensure fairness and the promotion of whole-school objectives. Systems should be easy to understand and not subject to pressure from individual sections of the school to the disadvantage of others.

Budget holders usually draw up estimates of the resources required to maintain provision and make improvements. Estimates take into account the number of pupils involved, their needs and the resource demands of the subject or area, as well as any targets and agreed priorities for development.

In an infant and nursery school, year-group planning teams identified each year their needs for:
- renewable resources needs for the year;
- additional or new resources;
- additional or replacement equipment.

The proposals from each year group were put forward and discussed at a staff meeting. Staff agreed a priority weighting for each area by considering its contribution to the objectives in the school development plan. These weightings formed the basis of the allocation of the funds for learning resources approved by the governing body.

A secondary school consulted annually on its funding formula for departments. Subject leaders agreed the allocation formula itself and the proportion of the overall devolved funds to cover subject-specific initiatives. In one year, changes were agreed to reflect a decision to develop literacy skills in subjects other than English and Welsh, with a similar emphasis on numeracy being deferred to the following year. Staff agreed to reduced levels of development bids in these two years so that additional resources could be built into the formula-funded element for all subjects to support the literacy development.
D Challenging how resources are used

D1 Existing patterns of expenditure should be regularly challenged to identify possible savings and alternative use of resources, making use of internal and external financial benchmarking wherever possible.

It is a good idea from time to time to take a fresh look at how financial resources are allocated. Repeating historic patterns of spending without considering changing priorities from year to year can lead to waste and slow down development.

For most schools, comparisons with national figures and those from groups of similar schools will often indicate different patterns of spending on staffing and other areas. These can be used to challenge the assumptions on which past resource allocations were based and introduce new ways of thinking.

(Best value – compare and challenge)

In small primary schools, there is usually much less-obvious flexibility in decision-making because staffing costs are usually tied very closely to the number of classes. However, headteachers and governors of even the smallest schools have often found creative and flexible ways of making use of part-time and shared staff to bring, for example, specialist expertise to the school.

As part of a rolling three-year review of each budget area, the headteacher and the school clerk in a 450-pupil primary school examined reprographic costs in detail for each class. They considered both the overall volume and the length of individual print runs. Costs of copying were determined and compared with the estimated costs of using a digital copy printer. It was discovered that investing in a new digital copy printer rather than extending the lease on the existing photocopier would make substantial savings of 12 per cent.

A secondary school was concerned about the number of low-level administrative tasks undertaken by teachers. It compared its administrative costs with those of the schools in the LEA and found that it was spending much less than the LEA average for secondary schools and that the number of administrative staff hours was also very low. A survey was used to identify which teachers were particularly affected and the nature of the tasks they had to undertake. As a result, the governing body decided to invest in additional specialist support for finances and reprographics, two areas in which support for teachers was particularly low.
D Challenging how resources are used

D2 The quality, cost and impact of services purchased from outside providers (including the local education authority) should be evaluated before contracts are renewed.

Increased levels of delegated funding have meant that schools now have more direct control over the use they make of services from outside providers. Alongside this flexibility goes a responsibility to obtain quality services in a cost-effective way.

Many schools have well-tried systems for evaluating the cost and quality of the services they purchase. In addition, schools need to take into account the impact of these services on the quality of the school’s provision and, ultimately, on standards. In all such situations, the key decisions to make before renewing a contract are whether or not the service was provided at competitive cost to the required quality and whether or not provision of the service has made a difference. (Best value – compete)

A primary school evaluated the service provided by the LEA’s music support service against a set of delivery targets agreed by the governors. Because few of the targets were met, the school investigated the music services offered by other providers. The school moved its contract for this work to another provider which could meet the governors’ targets at lower cost.

A secondary school bought in additional time from an Education Welfare Officer (EWO) to combat high levels of absence and truancy. It evaluated the cost of this bought-in service against attendance figures, and also took into account the time spent by heads of year in preparation for their regular meetings with the EWO. It negotiated changes to the service contract to increase the EWO’s focus on persistent absentees and correspondingly reduce the time spent by heads of year. As a result, heads of year were able to spend less of their time preparing for meetings about persistent absentees and more time supporting a larger number of pupils, for similar cost.
D Challenging how resources are used

**D3** Regular evaluations of what the school provides should be carried out to see whether it could be supplied to an acceptable standard at a more competitive price through another provider.

It is important to question whether the cost of any aspect of a school’s provision could be reduced. This is most likely to be in schools where high-cost provision, such as a small sixth form, may be draining resources from other areas or where the school has concerns about whether the quality of provision is high enough. The latter is often a particular issue in relation to maintenance costs for equipment or school grounds. *(Best value – challenge and compete)*

The school has to judge whether the alternative arrangements would make better use of its resources. Entering into arrangements with other schools or colleges to share courses may, for example, enhance the range of opportunities offered. Sharing a teacher, administrator or technician with one or more other schools may give the breadth of curriculum or support required more cost-effectively than could be achieved by working alone.

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A primary school in an inner city area made provision for pupils who were being left unattended well before the start of the school day. Volunteers among the teaching staff ran an early start club, providing a range of activities and breakfast. The extra demands this made on some teachers increased levels of absence through illness. The headteacher alerted the governing body, which considered two alternative approaches, partly funded by savings on supply staff. One was to employ suitably trained staff to run the early start club using materials provided by the school. The second was to enter into a contract to run the club with a local day nursery with extensive experience of early start provision. The key element in the decision to set up an annually renewable contract with the nursery was the balance of overall cost against quality.

A secondary school evaluated the way it made provision for A-level music because, although the cost per A-level point achieved was below average for the school, the cost per pupil of the course was very high. After considering a joint course with a nearby school, sharing staffing with a number of other schools and sub-contracting provision of the course to a local FE college, the school reached an agreement with a neighbouring school. By offering the A-level course with its own staffing to students at the other school, the governors were able to recoup some of the cost of the course and bring the cost per pupil closer to the average.
D Challenging how resources are used

D4 The deployment of all staff should be periodically reviewed to ensure that their skills are used to bring the maximum benefit to pupils’ learning.

The staff employed at the school are its most valuable resource and it is important that their skills and experience should be used to the full so pupils receive the best possible education. Schools need to review regularly the roles and responsibilities of teachers, learning support assistants and other support staff to ensure that the demands placed upon them match their job titles and their remuneration. It is also important to consider the effectiveness and structure of the school’s management team and the responsibilities its members carry.

Increased delegation has brought additional responsibilities to schools and an increased workload for those involved in managing the school’s finances. This has prompted many schools to review the status of administrative staff and the levels of support that they contribute. In many cases, additional administrative support has reduced the burden on headteachers and has enabled them to find more time for professional tasks, particularly those related to improving standards.

Headteachers of small primary schools have been particularly creative, sometimes jointly with other schools, in sharing the services of a bursar or finance administrator or in buying in financial services at particular times of the year. Similarly, the employment of a school business manager in a secondary school can allow senior managers to focus more effectively on educational issues and release time for evaluating the quality of the school’s provision.

A primary school reviewed teachers’ planning and decided this would be more effective if staff worked in key stage teams, each led by a co-ordinator with a responsibility allowance. At the same time it moved from small-scale withdrawal of pupils to work with a part-time support teacher to in-class support using learning support assistants. Funding of the responsibility allowances involved and the increased time contributed by learning support assistants came from a reduction in the contribution made by part-time teaching staff. The consistency of approach in different classes in the key stage and the raised expectations that resulted from joint planning were key factors in the school’s improved performance.

A secondary school reviewed the level of responsibility and workload associated with whole-school management allowances and found significant differences between the level of the allowance and the current expectation of the post. The governing body decided to change, as staff moved on and vacancies arose, to a core of permanent and a number of temporary allowances. The temporary allowances would be offered annually, by interview, for a specific task to match the demands of the school’s current development priorities. As a result, the school was able to introduce flexible and cost-effective arrangements for starting new initiatives using the skills and interest of staff who applied. At the same time, staff morale increased as more teachers became involved in key development work.
D Challenging how resources are used

D5 All those with delegated responsibilities for managing resources should have access to training and support in forecasting, budgeting, purchasing and monitoring expenditure so that they can contribute to improving the school's efficiency and effectiveness.

It is not only governors and headteachers who have responsibility for the strategic management of a school's resources. Those who manage devolved budgets and use resources, as well as those who control the school's finances, also have a contribution to make.

Clearly, the nature of their involvement will vary with the extent and purpose of the devolved budget. It would not be reasonable to expect, for example, a class teacher in a primary school with a small discretionary amount to be spent on learning resources to undertake the same planning or monitoring tasks as would be needed for a large devolved budget with a whole-school or subject focus.

Where staff have to manage resources alongside other tasks or responsibilities, careful thought needs to be given to training them to carry out their resource management responsibilities effectively without compromising the other aspects of their roles. They also need support in the form of clear and realistic expectations set out in job descriptions. Good communication about the benefits of effective resource management is essential to gain the commitment of staff.

The new school clerk in a primary school had a background in commerce but no experience in running the school's financial administration software. Rather than wait for the next LEA administrators' course in several months' time, the school bought in the services of another experienced school clerk for two hours per week over an extended period to provide on-the-job training.

A secondary school arranged a series of twilight sessions for heads of department and other budget holders in which the school's business manager provided a thorough briefing in the way their budgets should be managed, with a strong emphasis on the reasons behind the systems the school used. She provided the budget holders with clear strategies for determining their budget needs and a common system for setting these out for the senior management team.
D Challenging how resources are used

D6 The allocation of funding to the continued professional development of staff should be based on national and local priorities, the school’s priorities for development and the individual professional needs of individual staff identified through appraisal.

The key challenges in managing professional development in schools are to identify areas where training is needed and to balance the various competing national, local and individual priorities. The school’s policy for performance management should set out how the individual professional development needs of staff are identified and given an appropriate level of priority. The school’s policy for the continuing professional development of its staff should set out how funds will be allocated across competing priorities and take account of both personal and school needs.

Funding for training for national priorities will clearly need to be spent on the activities outlined in the specific grants. Schools may also commit additional funding to in-service training or materials to ensure the school meets its targets. In recognition of the growing contribution to teaching and learning of learning support assistants and other support staff, the school’s policy should also set out how their development needs will be identified and met.

A primary school built up a staff development plan which covered:

- access for all staff to training to improve numeracy teaching;
- training for the nursery staff to improve planning using early learning goals;
- in-school training for subject co-ordinators in lesson observation – a need identified by these staff during a staff development discussion with the headteacher.

All costs were identified, including course fees, the cost of training providers and release costs for participants and in-school trainers. Proposals were taken forward to the governing body for approval as part of school’s budget planning.

A secondary school set out for each subject leader the national and local initiatives to which the school had to respond, together with its own whole-school priorities. Subject leaders identified and costed the necessary subject training which would reflect these. Teachers’ own suggestions for training were added with a statement of how successful completion of the training would benefit the school. The senior management team then used an established set of criteria to assess the likely benefits to the school of each proposal in relation to their impact on standards, and the headteacher linked the proposals with the outcomes of each teacher’s appraisal. The governing body received a clear set of proposals in priority order and used this to agree the school’s training budget.
E Monitoring and evaluating spending decisions

E1 All plans should indicate how their implementation will be monitored and how the effectiveness of the actions taken will be evaluated against success criteria or performance indicators.

The accuracy with which resource allocations can be monitored and evaluated depends on having a clear understanding at the outset of what will be achieved by a particular course of action and its associated outlay of resources. This needs to include the impact of spending on standards.

Monitoring and evaluation operate at two distinct levels. Monitoring checks that the activities set out in plans are taking place in the intended timescale and using the resources allocated. This includes deciding whether any changes to the plan are needed. Evaluation is analysing the effect the planned action has had in moving the school forward to improved standards, provision or efficiency.

When any strategic or action plan is constructed, monitoring and evaluation need to be built in alongside the other elements of the plan. As well as action points, resource needs and the personnel who will undertake the work, all plans need to include the ways that their implementation will be monitored. The key questions, which need to be asked throughout, are whether the school is doing the right thing at the right time. Plans also need to include targets and other success criteria, and the methods to be used to evaluate the extent to which the plan’s objectives have been achieved.

A primary school headteacher held termly discussions with the key personnel responsible for monitoring progress in implementing the school’s development plan. For each priority they prepared a summary statement indicating what had been achieved, what modifications had been made to the plan and what use had been made of financial resources. The resulting paper was to be presented to the governing body at its next meeting. Where possible, each area for improvement was linked to measurable outcomes and the headteacher was able to provide the governing body with a clear indication of the effectiveness of the action taken.

A secondary school set up an evaluation group of the senior management team and three governors to review progress made with the school development plan. In evaluating the effectiveness of the introduction of a new mathematics scheme in Years 7-9, the group worked with the head of the mathematics department to plan in detail how the evaluation strategies outlined in the development plan would be implemented. It also agreed how her evaluation of the effectiveness of the scheme would be presented to governors. The head of department successfully presented her evaluation to governors at a subsequent meeting.
E Monitoring and evaluating spending decisions

E2 The school’s systems for recording and monitoring expenditure should enable the headteacher and governing body to identify the costs of particular projects and initiatives.

When a new project or initiative is started, it is important to set up accurate recording systems in sufficient detail for spending and outcomes to be monitored. These need to be practical, manageable and balance the time spent on them for the outcome achieved. Budget holders need to be familiar with the school’s accounting systems, code expenditure accurately and receive regular budget monitoring reports. The measures to be used in the evaluation need to be set out in the relevant plans, so that governors and senior managers can evaluate cost-effectiveness and value for money.

Identifying the cost of particular projects and initiatives is often difficult because the way in which indicative costs in action plans have been built into final budgets is not well documented. For example, an improvement in boys’ reading may require outlay on more suitable literature. The sum required will probably come from the budget line for educational supplies or equipment, books and consumables. Determining the cost-effectiveness of a project can only be done by accurate identification of the overall cost of the initiative, including an estimate of staff development time, and matching this to its education outcomes.

A small primary school entered a short three-letter code into a text field in its accounting system so that it could search for and extract all items relevant to the priorities within its school development plan. This was additional to the standard coding system the school used within its finance software.

A secondary school made use of a facility in its financial software to add school-based codes to the regular cost centres used by the system. By identifying a separate code for each area on its development plan, it was able to produce for governors a printout for each initiative broken down into the same headings as the main school budget. The consistency of structure between the two sets of figures meant governors could readily interpret the data.
E Monitoring and evaluating spending decisions

E3 Regular reviews of the cost-effectiveness of spending decisions should be carried out by weighing the benefits of resource inputs against the expenditure outcomes and benefits.

Reviews of cost-effectiveness need to be included when the effectiveness of spending decisions is evaluated. The timing of such reviews depends on the nature of the particular decision or action taken and they need to be built into the planning cycle. Targets which involve improvements in pupils’ attainment will usually be achieved over a longer period than those which relate directly to improvements in provision. For example, the full effect of the introduction of a new scheme of work in Key Stage 2 would not be felt for some years. In contrast, an increase in administrative hours is likely to have an immediate effect on teachers’ workload.

Where considerable sums are devolved to budget holders, such as key stage co-ordinators or subject leaders, the budget holders should be accountable for the cost-effectiveness of the expenditure. A school that does not investigate the outcomes achieved or, indeed, the reasons for any under-spends or over-spends in individual devolved budgets, is in danger of wasting valuable resources.

A large primary school temporarily increased the number of midday supervisors because of concerns about lunchtime behaviour and introduced a brief weekly training session. By analysing the number of pupils referred to the headteacher before and after the increase in staffing, the school was able to show that a 17 per cent increase in staffing was linked to a 51 per cent reduction in the number of referrals. When the reduced time spent by the headteacher in dealing with the referrals was taken into account, governors felt justified in making the appointments permanent and continuing with the training programme. They saw these as a cost-effective way of improving behaviour and increasing the headteacher’s ability to undertake monitoring and evaluation activities.

A secondary school introduced a new GCSE course on a trial basis for two consecutive year groups before making a final decision about its permanent inclusion in the option programme for Year 10 and 11. It considered the full range of costs of putting the course on and compared these with the costs of other GCSE courses. The school identified a range of measures such as attendance rates for pupils taking the course and compared them with those from students taking other GCSE courses. Finally, it considered the cost per GCSE point of the first year’s results and compared this with the same pupils’ results in their other subjects. With information that the course was successful on all counts, although attendance rates differed very little from the average, the governing body was able to come to a well-supported decision to continue with the new course.
Using the principles

The guidance offered in *Getting the Best from Your Budget* is designed to promote strategic approaches to financial decision-making in schools. Headteachers and governors may find the principles useful in reviewing the ways in which they make decisions about the use of resources and improving the ways in which they target spending on agreed educational objectives. School managers may also find the guidance helpful in identifying the extent to which they apply the principles of best value. The guidance will be of particular interest to those preparing for the financial responsibilities of headship or those new in post. It will also be of interest to newly appointed governors.

Use of the accompanying self-evaluation software is a voluntary but useful activity for a school, especially in preparing itself for an inspection. Registered inspectors will find the outcomes particularly helpful and, if provided, the completed software printout will form part of the evidence base for the inspection.

The self-evaluation software

*Managing School Resources* is an interactive version of *Getting the Best from Your Budget*. It probes, in more detail, the quality of resource management in schools through a series of self-evaluation questions grouped under the principles contained in this guidance. Examples of good practice are attached to the principles to illustrate key points. Comment boxes at the end of each set of questions allow schools to type in any immediate thoughts as they go through the tool. The school’s responses to the questions form the basis for an action plan, which also records the notes made by the school. In addition to this feedback on resource management, the tool produces a best value ‘score’. The self-evaluation tool also includes a year planner for financial planning which illustrates typical management activities and when they might be undertaken. Schools can personalise the year planner to suit their own timescales for development planning and budget setting activities.

*Managing School Resources* can be found at the following website:

www.schools.audit-commission.gov.uk