

Short review of the Schools Forum and Dedicated Schools Grant (DSG)

Public Accounts Select Committee

December 2009



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Introduction

1 .1 This report is the product of a short review of the Schools Forum and Dedicated Schools Grant, carried out in September 2009 by the Public Accounts Select Committee.

Background to the review

2 .1 The Committee decided to undertake this review because it was interested in how the Schools Forum, which is responsible for the allocation of Dedicated Schools Grant (DSG), was held accountable. In 2008/09 Lewisham was allocated £172.4m in DSG and the Schools Forum was responsible for allocating £145.4m of this funding to schools and agreeing what the remaining £27m of centrally managed expenditure would be spent on. The Committee was aware that, although it received information on the DSG via its regular budget monitoring work, the decisions made by the Schools Forum received no regular scrutiny from either the Public Accounts or the Children and Young People Select Committee; and Members were, generally, poorly informed about how the forum operates. The Committee therefore felt it should investigate how greater transparency and accountability could be achieved and value for money ensured.

Key lines of enquiry

3.1 The Committee identified the following sets of key lines of enquiry (KLOE) to frame its review:

(A) Transparency

- Are Headteachers and Governors well-informed about the role and work of the Forum?
- How do the Headteachers and Governors that sit on the Schools Forum provide feedback on the Forum's work to other Headteachers and Governors?
- Do the officers that support the Forum provide regular updates to Headteachers and Governors?
- How are Councillors informed about the work of the Schools Forum?

(B) Operation of the forum

- How are conflicts between Council officers and members of the Schools Forum managed?
- Have any sub-groups been established recently to look at areas of concern? What were the areas of concern and what were the outcomes achieved?
- Do Schools Forums have any relationship with Voluntary Aided schools or Academies?

(C) Accountability arrangements

- What arrangements are in place to monitor and scrutinise the decisions of the Schools Forum?
- Are these arrangements sufficient and do they work in practice?
- When scrutinising the Council's accounts, has Internal Audit ever made any comments/recommendations about the allocation of DSG?
- What is the monitoring role of the Department for Children, Schools and Families (DCSF) in relation to the use of DSG?

(D) Value for money

- How are schools monitored to ensure the money that they are allocated is appropriately spent on the children they serve?
- If a school overspends its budget what steps are taken to help the school bring its budget back into balance?
- Is any action taken if a school consistently retains a large surplus with no clear plans for its use?
- Has the methodology for calculating excess balance figures been reviewed yet?
- What is the clawback (balance control) mechanism and how does it operate?
- Do Governors receive training on forecasting and its importance, ways to manage financial risks and the use of financial performance indicators?

(E) Problems faced by schools

- What are some of the barriers faced by schools in relation to effective financial planning (e.g. timing, uncertainty about budgets, forecasting, the relationship between the financial year and the academic year) and what steps are taken to overcome these?
- At what points during the year do schools receive notification of their funding allocation and receive their funding?
- Is there a way of streamlining the system so that schools can be notified of their allocation at an earlier stage?

Methodology

4.1 The review was scoped in June 2009 and an evidence gathering session was held in September 2009. The Committee sent out follow-up questions after that session, then agreed its recommendations in December 2009. The following written and verbal evidence was specifically requested for consideration at the evidence session:

- A cashflow illustration – figures for 2008/09 showing when the Council was first notified of its DSG allocation; when the final allocation was confirmed; when the funding was received; when the School's Forum met to allocate the funding; when the schools were notified of their allocation; when the funding was received by schools; when the centrally managed expenditure and headroom allocation was agreed and spent etc
- Information on the formula used to distribute the Dedicated Schools Grant to individual schools
- Figures for any school budget overspends over the last three years and information on the action taken to bring the budgets back into balance.
- Figures for any large school budget surpluses over the last three years and information on whether the schools in question have or had any plans for its use
- Information on what the centrally managed expenditure was spent on in 2008/09 and what it is due to be spent on in 2009/10
- Information on what the 'headroom' funding was spent on in 2008/09 and any spending proposals for 2009/10
- Information on any comments/recommendations in relation to school resources/funding etc. made in the 2007 CPA or by Ofsted when it inspected the Lewisham Children and Young People's Strategic Partnership in 2007, as part of the Joint Area Review (JAR)
- Information on the likely impact for Lewisham of the DCSF Review of DSG.

4.2 In addition to hearing evidence from the Executive Director for Children and Young People and the Finance Manager for the Directorate, the Committee invited the Chair and Vice-Chair of the Schools Forum to attend the evidence session to outline the process that the forum followed in scrutinising and agreeing the formula based allocation of funding to schools; the centrally managed expenditure which takes place on behalf of schools; and the 'headroom' allocation. In addition all Lewisham School Governors were invited to (a) attend the meeting as an observer or request a copy of the officer report; and (b) submit their views on the Schools Forum in advance of the meeting. The Governor representatives on the Children and Young People Select Committee were also invited to attend the meeting.

Findings

Facts and figures

5.1 This section of the report presents the information specifically requested by the Committee (see paragraph 4.1) to serve as the core evidence base for the review.

The DSG timetable

5.2 The Committee requested information on the timetable for the delivery of the 2008/09 DSG allocation and was informed that:

- the indicative allocations for 2008-11 were received in November 2007
- the final allocations were received in June 2008
- the revised final allocations were received in October 2008.

The money was received in 25 payments throughout the 2008/09 year (approximately every fortnight with each payment representing approximately 4% of the Dedicated Schools Grant). The only exception to this was the London Pay Grant, which was paid in one lump sum on 8 September 2008.

5.3 In terms of the allocation of DSG funding to schools, the Committee heard that the Schools Forum would discuss the funding allocations on a on-going basis starting at its July or September meeting, until the final decision on allocation was made at its March meeting. For 2008/9 the meetings were as follows:

| | |
|-------------------|--|
| 20 September 2007 | Early consideration of possible central expenditure efficiencies |
| 20 November 2007 | Consideration of possible headroom |
| 28 January 2008 | Consideration of use of headroom |
| 17 March 2008 | Setting the budget for 2008/09 school year. |

5.4 Schools budgets are complex and do not only include the formula allocation provided through the DSG but also other grants from the Department for Children, Schools and Families (DCSF) such as standards funds, schools development grant and school standards grant. In 2008/09 Lewisham schools were notified of their allocations as follows:

Findings

| | | |
|------------------|--|------------------|
| 10 February 2008 | Individual School Budget (ISB) | Indicative |
| 15 February 2008 | Standard Funds Grant and other School Grants | Indicative |
| 20 March 2008 | ISB, Standards Funds and other School Grants | Final Allocation |
| 7 July 2008 | Revised Individual Schools budget ¹ | Final Allocation |

5.5 The way schools receive their funding varies depending on the systems they operate. If the school is running its own payroll system the money is passed to them on a monthly basis. If a school uses the Council's payroll system no transfer of cash takes place for the payroll element of their budget, only the non-staff costs part of the budget is passed over to them and this is done on a termly basis.

Allocation methodology

5.6 The Committee considered detailed information on the formula used to distribute the DSG to individual schools. DSG is allocated to schools through the Individual Schools Budget (ISB) formula, consulted on with schools and agreed by the borough. More information on this is available at Appendix A.

Overspends and surpluses

5.7 The Committee considered (a) figures for school budget overspends over the last three years and information on the action taken to bring the budgets back into balance; and (b) figures for school budget surpluses over the last three years and information on whether the schools in question have or had any plans for its use.² Further information can be found at paragraph 5.36.

Centrally managed expenditure and headroom

5.8 Each school in Lewisham has a minimum funding guarantee which is normally a 4% increase on the funding provided the previous year. Once each school had been funded to this level the remainder of the DSG is used to fund centrally provided services (e.g. special educational needs services) and to provide headroom. Information on what the centrally managed expenditure element and the headroom element of the DSG was spent on in 2008/09 and what it is due to be spent on in 2009/10 is presented at Appendix B.

5.9 The Committee was told that efficiency savings were always sought in the centrally managed expenditure area to allow maximum

¹ Normally a revised schools budget would not be sent in July but exceptional events occurred in 2008/9, enabling extra resources to be released to schools.

² Figures available on request.

headroom to be provided which could be used to fund innovative and useful projects such as social workers in schools or tutors for looked after children. The process followed by the Schools Forum in deciding what to spend the headroom on each year involves taking into consideration a range of officer proposals informed by (a) the Children and Young People Plan (CYPP) priorities and (b) suggestions from Headteachers and schools based on their 'on the ground' experience. The proposals that were funded tended to be a mix of (a) and (b).

5.10 The Committee requested specific information on how the Pupil Referral Unit (PRU) was currently funded. It was noted that the unit was funded out of the centrally managed element of DSG but that, in all but name, the unit was treated as if it was a school and the headteacher had the same budget responsibilities as a school headteacher and any surplus or deficit was carried forward at the end of the year. An adjustment was made to a school's budget when a pupil was excluded, calculated on the basis of the amount the school received for the pupil (Age Weighted Pupil Unit only) apportioned by the number of teaching days left in the financial year. Conversely if a school took a pupil from the PRU they would receive a similar level of funding in return. However, the PRU was not effected by this adjustment in order to provide the unit with stability of funding, the adjustment was instead managed outside the unit but still within the grant. It was further noted that the level of funding provided to the PRU was based on the assessed needs of the unit in light of the number of places expected to be required by the local authority in the forthcoming year. Any contributions received from schools would also be taken in account when determining the funding level. However there is a duty laid on local authorities to consult the forum about all matters relating to the DSG, including a number of matters relating to the central schools budget, and this includes PRUs and "Education Otherwise".

Inspection findings

5.11 The Committee requested information on any comments or recommendations made in relation to school resources or funding in the Council's 2007 Corporate Performance Assessment (CPA) or by Ofsted when it inspected the Lewisham Children and Young People's Strategic Partnership in 2007, as part of the Joint Area Review (JAR). Members were informed that whilst there was no direct mention of school resources, both the CPA and JAR commented on resources and partnerships across the directorate. Below are some extracts from their reports.

CPA

“Service management and the capacity to improve are outstanding. The Council and its partners use data effectively to target resources and monitor the impact of their interventions. There is a clear track record of re-directing resources where action has not been effective. The capacity of the council to improve is excellent. Strong political and officer leadership drive a well-understood improvement agenda which is shared by all partners. Goals and ambitions are clearly laid out in the children and young peoples’ plans alongside realistic allocation of resources to achieve those goals”. (A direct comment on the Children and Young People Directorate).

Joint area review

“A good corporate approach within the council is in place to ensure resources are targeted at priorities. This is enhanced by a genuine willingness across the Children and Young People’s Strategic Partnership Board to align additional resources to drive improvements, for example in reducing teenage pregnancies and improving the school attendance of looked after children. Priorities have been revisited across the partnership as part of the review of the Children and Young People’s Plan. As a result, additional prominence has been given to youth crime and obesity issues. Capacity to deliver priorities is good. Mature and well-established governance arrangements, built on mutual respect and trust between partners, form the Children and Young People’s Strategic Partnership Board. Strong and very dynamic leadership across the partnership, particularly by the Executive Director of Children’s Services, has led to a culture characterised by high expectations and focused improvement. The combined strategic capacity of the Children and Young People’s Strategic Partnership Board is enhancing capacity by challenging the contribution each partner can make to improved outcomes”.

“Effective partnerships and shared vision provide a seamless service to children and young people within the borough”.

“Service management is outstanding. Strong and dynamic leadership, very good established partnership working and an excellent performance management culture ensures that the well-embedded improvement agenda is shared by all partners. The capacity of the council to improve is excellent”.

The likely impact for Lewisham of the DCSF review of DSG

5.12 The Committee considered the likely impact of the National Funding Review of DSG which commenced in the summer 2007 with

the aim of developing a single transparent formula for the distribution of DSG to local authorities. The guiding principles under which the review is being conducted are:

- that the funding system should support schools and local authorities to raise the educational achievement of all children and young people
- that the funding system should narrow the gap in educational achievement between all children, including those from low income and disadvantaged backgrounds.

The overall aim is that the resultant distribution formula for DSG will be based on the principles of transparency, simplicity and stability.

5.13 The review is also looking at the interaction of DSG with other funding streams for schools and children's services from Central Government and local authorities; the changing role of schools; and the importance of schools working with other local services in aligning local activities and resources behind jointly agreed priorities. The DCSF are employing Price Waterhouse Coopers to undertake the work streams of the review and they have been collecting evidence from local authorities and schools through questionnaires, particularly in the areas of social deprivation, special educational needs and activity led funding.

5.14 The current timetable for the review is as follows:

| | |
|---|--|
| Monthly Meetings from April to September 2009 | Further development of proposals on new formula and submission of a report to Ministers. |
| October to December 2009 | Development of consultation proposals. |
| January-March 2010 | Consultation on proposals. |
| April-June 2010 | Further development of proposals taking into account responses to the consultation. |
| July 2010 | Broad decisions announced by Ministers. |
| October to November 2010 | School funding settlement for 2011-12. |

5.15 The Committee accepts that it is difficult to gauge the likely impact of the review at the current time. It notes that individual local authorities and various representative groups have been putting forward their case and most of the representation has been made around the area cost adjustment and sparsity factors. It is likely that the stability of school funding will be important to the DCSF to avoid the problem of the perceived funding crisis in 2003/4. However, the

Committee notes that it is unlikely that the government will wish to implement a major upheaval in the level of funding received by schools, or even put forward a proposal that could happen, before a general election. However, once the general election is out of the way this might not be the case, although schools should be in an agreed three year budget cycle by that point.

Transparency

5.16 After considering the core facts and figures relating to the operation of the Schools Forum and the allocation of the DSG, the Committee focussed on the level of transparency in the current arrangements. Firstly, the Committee considered whether headteachers and governors were well-informed about the role and work of the Schools Forum. Members were told that there were a number of regular occasions when schools were informed of the work of the forum allowing them to gain an understanding of its role. For example, any major changes that the Schools Forum agrees to the funding formula or to the scheme of delegation are consulted on with all schools, allowing them to express their views on whether the proposals are acceptable, or if not, the most appropriate revisions. These views would be considered by the Schools Forum before any decisions were made. However, members were told that, historically, school responses to consultations had been low, hence officers focussed on providing information on significant items only, to avoid contributing to the overload of paperwork sent to schools.

5.17 It was further noted that:

- the budget setting process engages headteacher representatives outside forum and Children's Trust partners through the Children's Joint Commissioning Group and the Strategic Partnership Board. All budget decisions are explained in a letter to schools notifying them of their coming year's budget
- members of the forum are expected to feedback to schools through their collaboratives. All members of the forum are elected by their constituency (e.g. primary heads, secondary heads, special school heads, governors) and it is made clear to all members that part of their role is to communicate back to their constituents through the various forums that exist
- a monthly schools newsletter which provides reminders on all important financial issues and includes the decisions of the Schools Forum is sent out to all schools

- currently Governors receive a newsletter at the start of each term which contains information about the work of the Schools Forum
- the Governors Association Executive receive the minutes of the School Forum and the governors who sit on the forum feedback appropriate business at their meetings
- at the Primary and Secondary Strategic meetings further feedback is given by headteachers and officers and often items on the agenda are for discussion and feedback into the forum. Examples included the SEN matrix funding changes and budget issues
- the Executive Director of Children and Young People gives a termly briefing to schools which covers significant issues. Examples of such feedback include health and safety, statutory maintenance responsibilities and single status.

5.18 However, whilst the Committee welcomed this, it was clear that the governors who attended the evidence session in September, or provided written information for the review, did not all agree that the above information sharing mechanisms were operating effectively in practice. Further information on this can be found at paragraph 5.58.

5.19 The Committee heard from Monsignor N Rotheron who reported that the Children and Young People Select Committee, of which he was a member, did not receive specific feedback on the work of the Schools Forum. In response to this, officers suggested that a number of matters considered by that Committee were linked to the Schools Forum although the connection might not be explicitly made. For example, the Committee had recently reviewed attendance and one of the initiatives in place to address poor attendance was funded by headroom.

5.20 The Committee also heard from Brian Lymbery, the Vice-Chair of the Schools Forum and the Chair of Governors at Lucas Vale School, who reported that, as stated earlier, it was the job of governors sitting on the Schools Forum to provide feedback to their constituents and if they were not doing this, they should be reminded of their duty. He also suggested to the Committee that the termly newsletter to governors could include more information on the Schools Forum and that a formal progress report could be included in each edition. The Chair of the Schools Forum and the Executive Headteacher of the Prendergast Federation, Erica Pienaar, agreed that the forum should do more to increase governor knowledge and make sure that governors knew about the 'two routes in' to the Schools Forum that were available to them – access via their headteacher or via the seven governor representatives on the forum.

5.21 The Committee considered how Councillors were informed about the work of the Schools Forum and it was reported that (a) information on the DSG was incorporated in the budget report of the Council and the monitoring reports made available to the Public Accounts Select Committee; and (b) matters of significance such as changes to the arrangements for the delivery of the free entitlement for 3 and 4 year olds and the balance control mechanism were taken to the Children and Young People Select Committee as well as Mayor and Cabinet. However, this information would not necessarily be presented as feedback from the Schools Forum but as a report in its own right to the meeting body seeking views on the reforms and their implementation. Therefore Councillors would not necessarily be aware of the link to the Schools Forum. It was also noted that the Public Accounts Select Committee and Children and Young People Select Committee were able to send a representative to observe the work of the forum and that Councillor Michel had attended on two occasions.

5.22 The Committee noted that the Children and Young People Select Committee was not asked for its advice on what the priorities for headroom funding should be, as officers felt that it was not the job of the Committee to do this. However, members of the Committee did have input into the CYPP which contained the priorities which formed the basis for officer proposals for the allocation of headroom funding. It was also noted that the Chair of the Children and Young People Select Committee was a full member of the Children and Young People Strategic Partnership Board which was responsible for the CYPP.

Operation of the forum

The Committee received detailed evidence from the Chair of the Schools Forum on how the forum operated. She felt that the wide range of people who made up the Schools Forum worked very hard, and in the best interests of children, when monitoring the very complex DSG. The Schools Forum sought to ensure that the DSG was used as efficiently as possible to allow the maximum amount of headroom to be created and put to innovative use. The Schools Forum followed the formula described in Appendix A for allocating the DSG via Individual School Budgets (ISBs) and in terms of the allocation of headroom, allocation was agreed largely on the basis of the priorities in the CYPP. The Chair made the following key points about the operation of the forum:

- At most meetings there was at least one representative from each school phase in attendance

- All decisions were made following consideration of officer reports and recommendations and discussion of the issues involved
- The introduction of a local balance control mechanism to claw back school surpluses demonstrated the successful consultation process followed when major decisions had to be taken by the Forum. The proposal was first considered by the Primary Strategic Group (made up of two headteachers from each Primary Collaborative Group) and the Secondary Strategic Group (made up of every Secondary headteacher); then it was considered by the Schools Forum; then it went out to consultation (to all headteachers); then it came back to the Schools Forum for a decision
- Although additional money could be put into schools from the General Fund to increase the ISB, this was unlikely to happen in the current climate, taking into consideration the fact that the DSG represented comparatively generous funding. However, should additional money be provided it would be allocated alongside the DSG on the basis of CYPP priorities
- Schools Forum meetings were always minuted and voting would take place if necessary.

5.23 It was noted that the forum was generally advisory but had one key statutory decision making power – its agreement must be sought if the proposed percentage increase to the centrally managed share of the Dedicated Schools Grant (DSG) is greater than the overall DSG settlement. However, if the forum does not agree, the authority can appeal to the DCSF, although this has never happened in Lewisham.

5.24 The Committee heard that the Schools Forum covered all maintained schools in the borough and the Anglican and Roman Catholic Dioceses have representation on the forum. However, Academies currently do not have any representation on the forum as their funding comes directly from DCSF although the DCSF was currently consulting on whether it would be appropriate, given that forum decisions on the funding formula can affect academy funding.

5.25 The Committee considered how conflicts between Council officers and members of the Schools Forum were managed. Members were told that officers and forum members aimed to work together in partnership and avoid conflict. Officers presented papers on subjects requested by the forum or on issues of significance to schools in the management of their affairs; forum members would ask for volunteers to work in sub groups on detailed pieces of work to further their understanding of issues and to alert officers to concerns that may otherwise be overlooked; and in this way a collaborative approach to moving matters

forward was achieved. However, on some occasions discussions would be held at the forum on matters of principle and the outcome might be at variance from the position proposed by officers. When this occurs officers and members of the forum would work together to try to identify a mutually acceptable answer to an issue. It was further noted that within the centrally managed expenditure, the Executive Director for Children and Young People would be able to finalise individual budgets on advice of Head of Resources. These budgets would be then taken through the normal committee cycle of the Council and any concerns of Schools Forum would be included in the report and advice provided to the Mayor.

5.26 The Committee asked who would have the last say if the Schools Forum wanted to agree a certain funding arrangement (for example, to use some of the headroom to fund a particular project) and council officers felt unable to support the proposal (if, for example, the proposal conflicted with Council objectives or policies). In response officers reported that the CYPP sets out the strategic direction across the children's partnership and identifies the priorities for improved outcomes, the key areas for impact and the commissioning intentions. The Schools Forum provide input to formulate the plan and then use it as a framework and any dispute would be guided by the plan and advice from the Children's Partnership Board Joint Commissioning Group which guides the Schools Forum on the priorities and the plan. Furthermore, the DSG conditions specify the expenditure that can be met from the grant and the Schools Forum has to take this into account and officers will advise the forum on the technical matters of what can be included. Therefore the legislative and regulatory framework, in a sense, becomes the determinator.

5.27 It was further noted that, generally, local authorities agreed all the proposals supported by the Schools Forum as it would seem unwise or difficult to impose a policy on schools that they are not in favour of and would go against the partnership working ethos that is in place. Although the local authority would have the final say (apart from in relation to the Forum's one statutory power) It would have to be a significant matter of great importance for a local authority to overturn a decision.

5.28 Consideration was given as to whether any sub-groups had been established recently to look at areas of concern. The Committee was informed that a number of sub groups currently existed looking at (a) the introduction of an early years single funding formula that covers both the maintained sector and the private, voluntary and independent sector, flexible provision and the increase in hours from 12.5 hours to 15 hours a week; (b) a review of the Special Schools formula; and (c)

the way schools are funded for Advanced Skills Teachers. It was noted that the first two groups were time-limited and the last group was on-going and had recently established a strategy for funding Advanced Schools Teachers. The sub groups could make recommendations to the forum and the forum might or might not take their proposal forward.

Accountability arrangements

5.29 The Committee considered the arrangements in place to monitor and scrutinise the decisions of the Schools Forum and their monitoring of school expenditure. Officers reported that it was through the annual budget setting and monitoring cycle of the Council (the Financial Survey), that Councillors were informed of the financial position of the DSG and had the opportunity to scrutinise it. The Committee heard that officers felt that these arrangements were sufficient but accepted that in addition, members might want to regularly receive the minutes of the forum or receive the recommendations of the forum on financial matters, particularly around budget setting.

5.30 The Committee asked if, when scrutinising the Council's accounts, Internal Audit had ever made any comments/recommendations about the allocation of DSG. Members were told that Internal Audit had not made any recommendations on the allocation of funds within the DSG.

5.31 The Committee asked about the degree to which the Schools Forum scrutinised school expenditure and was told that the forum considered the macro picture (e.g. large deficits and surpluses) and officers looked at the detail. Officers felt that it was not the job of the Schools Forum or the Children and Young People Select Committee to do detailed scrutiny of school expenditure, as schools were autonomous bodies, but school expenditure was subject to both internal and external audit. Schools supplied officers with their three year plan and officers would not endorse any plan that left a school in deficit. Officers also received budget monitoring returns twice a year which were audited according to agreed professional standards and legislative requirements. However, it was noted that the Council's Audit Panel would be reviewing the fact that a number of schools had recently received limited assurance ratings by Internal Audit. This matter would also be considered by the Internal Control Board attended by all Executive Directors and the Chief Executive.

5.32 The monitoring role of the DCSF in relation to the use of DSG was considered by the Committee and it was noted that the DCSF required various statistical returns and certificates from the borough covering both budget data and outturn data. The Department

published benchmarking data on the way in which the Dedicated Schools Grant is being spent and used this information to challenge Local Authorities on their decision making in relation to the items of central expenditure. The other principal area of challenge is whether or not Councils and their Schools Forums were directing resources to schools with reference to social deprivation. Lastly, certificates were requested to demonstrate that the Dedicated Schools Grant is to be spent or has been spent on the purposes for which it was intended. These have to be signed by the Chief Financial Officer and include:

- a budget statement
- an outturn statement
- a Consistent Financial Reporting return showing details of individual school spend
- a Chief Financial Officer (CFO) certificate saying the School Forum has been consulted and the grant has been fully applied
- a CFO certificate saying funds have been fully spent or carried forward
- a CFO certificate saying London pay grant has been fully applied to schools
- a CFO certificate saying the Diploma grant has been applied
- a statement on Standards Fund.

Value for money

5.33 As outlined above, an important consideration for the Committee was how schools were monitored to ensure the money that they were allocated was appropriately spent on the children they serve. The Committee heard that schools have the freedom to spend the funds allocated to them as they wish, providing it is for the benefit of the children in the school. However, the school is required to send the Council a financial budget statement and monitoring statements during the financial year to confirm they are managing the school within their financial resources. The Schools Forum also receives regular reports on how funding is being used at headline level (it does not look at the detail of individual schools' budgets). Finally, as school performance is a key indicator of success in terms of achieving value for money, it was noted that this was subject to regular review through the School Improvement Team.

5.34 The Financial Management Standard in Schools (FMSiS) confirms that a school has proper governance arrangements in place and provides assurance that the school attempts to obtain value for money and make best use of their resources. However, it was reported that internal audit assessments were tougher than FMSiS assessments and these, as mentioned above, had given a number of schools limited assurance even though no major problems had been raised under FMSiS. Members were informed that the Internal Audit Section undertook audits in about a third of Lewisham schools every year and that following the audits, reports and recommendations were sent to each school requesting action and providing feedback. Tailored support would be offered to schools in light of the findings and might include training, making schools aware of risks, updating guidance and raising issues at school representative groups.

5.35 The government has to date resisted suggestions that schools should be required to achieve cashable efficiency savings in the way that Local Authorities have to, but did reduce the DSG settlement by 1% in 2008/9 to reflect that schools should contribute towards efficiency savings. It also expects schools to seek Value for Money (VFM) and provides data, benchmarking tools and more recently procurement support to promote VFM.

Deficits and surpluses

5.36 It was reported that if a school overspends its budget or is forecasting that an overspend will materialise, officers would work with the school to ensure the budget is brought back into balance. It was noted that the action taken varied depending on the way in which the deficit arose and its size in relation to the school budget. If the deficit is a one off and small, the school needs to demonstrate through their budget plan that they are able to bring the school's budget back into balance in the following year. The budget plan is closely scrutinised by council officers and any issues arising are raised with the school. This close scrutiny continues throughout the year by close examination of the budget monitoring returns and officers in School Improvement, Personnel and Finance all work with the school to ensure the solution is sensitive to the needs of children and ensures that the curriculum standards of the school are not unduly affected.

5.37 Where a school has an on-going deficit, support is given to the school by bringing together a number of professional disciplines including Finance, School Improvement and Personnel. The budget plans are discussed initially with the headteacher, to consider the current position and the longer term direction of the school. The current budget is then challenged by benchmarking the school and

considering (a) its ability to deliver value for money and (b) the school development plan. Plans to address the issue will be drawn up by the school and considered by the above team to assess their impact, particularly around the delivery of curriculum and the likely outcome on standards. They will also be assessed in terms of feasibility to be delivered and risks involved. Conclusions and options will be considered which will be presented to governors. Only in exceptional cases would a school be allowed a longer period to balance the budget and it would probably be required to do so within a two or three year period. In exceptional cases plans may be agreed over a five year period and if over £0.5m the plan would need to be agreed by the Mayor.

5.38 If a school still continued to overspend, Local Authorities would have two courses of action, neither desirable but available, to remedy the problem. A notice of concern can be issued whereby the school is written to asking for the problem to be addressed with a draft action plan and timescales to complete it by. Ultimately the Council could withdraw delegation and step in and run the school. In both cases if there was a visit from Ofsted this would reflect badly on the school and could contribute to a poor report affecting the parental confidence in the school.

5.39 The Committee considered the specific case of St Joseph's Primary School where a licensed deficit was agreed for the school in 2006/7 which also included plans to bring the budget back in line. However, at the end of that financial year it was apparent the school budget reduction was not being achieved as quickly as hoped and discussions were held with the headteacher to consider further action. Additional budget training and support was also given to the school and at the start of the 2007/8 academic year, it was agreed between the School Improvement Officer, Finance Officer and headteacher that an Extraordinary Governors Meeting should be held. Stemming from this a Partnership Board was set up involving the headteacher, Governors, School Improvement, Personnel and Finance teams which met regularly throughout 2008 to better understand the problems, monitor the current budget position and map a way forward. The headteacher left in December 2008 and a new interim headteacher started in the school in January 2009. It was agreed that the new headteacher should review the recovery plan to ensure that it did not take unacceptable risks with the delivery of the curriculum and standards in the school and a new recovery plan was subsequently agreed. The interim headteacher, through the partnership board, worked closely with the Council's finance team and the deficit was redrawn and agreed. The interim headteacher also restructured and

regulated pay and conditions of teaching and support staff thus further reducing the deficit. The deficit agreement is now projecting a complete recovery and small contingency by 2010/11.

5.40 The Committee heard that in the area of excess balances the government has required Councils' to have arrangements to claw back excess balances. It was noted that the Council had worked with the Schools Forum on the balance control mechanism and how it should work in practice. Officers felt that the forum had been very clear in its opposition to excess balances and had encouraged officers to challenge schools with high levels of balances and to agree plans for the use of such balances.

5.41 It was noted that the balance control mechanism meant that if a primary school had a carry forward that exceeded 8%, or in a secondary school 5%, the sum could be clawed back. The Schools Forum would then decide what to do with clawed back funds in line with its priorities. Although, to date, no school in Lewisham has had funding taken from away them, officers feel that the mechanism has proved effective as the excess balances in schools has fallen from £3m to £1.4m.

5.42 It was reported that all schools projecting a balance were required to submit plans to the local authority on how they planned to spend their carry forward. Schools were thus given the opportunity to demonstrate to the Council that they had been saving the funds for a set purpose or for other exceptional circumstances. If this is the case the school is allowed to exceed the cap by this amount. Examples might include:

- capital works
- savings made to make enhancements to new builds from the Building Schools for the Future programmes and Private Finance Initiatives
- to cover funding shortfalls for future temporary drops in pupil numbers
- building up funds to dampen the effects of step increases in pupil numbers that occur in September but not funded until the next financial year
- single status
- holding the funds for joint schools collaboration project which run over more than one year
- accruals that should have taken place but it was not possible to action them in time for closing the accounts.

5.43 If these are agreed by both the finance and the school improvement teams the clawback can be waived. Schools with high excess balances and questionable plans for its use would be subject to an officer meeting with the headteacher and Chair of Governors to test the reliability of the plans and agree a timetable for the expenditure. It was noted that the Schools Forum had recently reviewed the balance control mechanism and had agreed that, if a school had an excess balance at the start of the year, provided plans to spend the sum but then still had an excess at the end of the year, the school would be automatically capped.

5.44 The Committee also considered, as part of its review, whether governors received training on forecasting and its importance, ways to manage financial risks and the use of financial performance indicators. It was noted that training for governors was made available on an annual basis, focussing on the links with the school development plan, asset management plan, value for money and benchmarking data.

5.45 Officers suggested that it was more important for governors to ensure that schools and their budgets were well managed and producing good results, than for them to know the intricacies of the operation of the Schools Forum and DSG. The DSG was very complicated and you could not expect every governor in the borough to be an expert on it. It was therefore suggested that it was important that all chairs of governors, and not all governors, were informed about the forum. Whilst the Committee accepted that it was impractical for every governor to be an expert on the Schools Forum and DSG, it felt that knowledge should extend beyond chairs of governors to at least all governors sitting on finance groups and officers agreed that this was important. Also, given the fact that internal audit had only given 'limited' assurance levels to a number of schools, the Committee had serious concerns about the day to day management of some schools and felt that appropriate financial training must be provided to governors if this was to be addressed.

5.46 In terms of the limited assurance issue, officers reported that internal audit assessment was tougher than Financial Management Standard (FMSiS) assessment, which is why limited assurance had been given when no major problems had been raised under FMSiS. However, a programme of action was in place to address the issues in the limited assurance reports and this included bespoke training for governors. All training available to governors was highlighted in the termly information pack sent to all governors.

5.47 It was further reported that two training courses on school finance were provided for governors each year (one basic and one

more in-depth) and that 15–20 governors attended each course. The emphasis of the training was not on the complexities of the DSG and Individual School Budget, but on ensuring that the money was used strategically to develop the school.

5.48 The Committee asked what planning had taken place in relation to how future changes or reductions in the DSG would be handled. It was noted that all those with financial responsibilities in all public services had to consider how resources can be put to best use. In light of this, the Schools Forum had agreed to set up a task group of schools representatives including governors, finance and commissioning staff, in order to consider how better value for money can be obtained in the future, with all discussions held in line with the recent Audit Commission report “Valuable Lessons”. The Committee heard that there were many issues to consider in the “Valuable Lessons” report and that many would require collaboration and cross partnership working if genuine savings were to be made. The likely direction of travel would be better sharing of staff resources such as a business managers across primary schools or specialist teachers across a particular sector. Further enhancements might involve how central services such as family support and intervention can be linked with schools needs and developed together to support each other to provide a better and more efficient service. However, these were only suggestions at this stage and many areas could be explored, including services to schools, services for children and commissioning.

5.49 At the current point in time schools have been made aware of the financial position to the end of 2010/11. Currently a number of papers have been presented to the forum regarding the longer term financial position and these make clear that schools face challenging financial circumstances in the future. The reports indicate funding growth has already slowed, after real terms increases of recent years and recent forecasts for public expenditure beyond 2010/11 suggest much tighter funding.

Problems faced by schools

5.50 The Committee considered some of the barriers faced by schools in relation to effective financial planning and the steps being taken to overcome these.

Uncertainty about budgets

5.51 The DCSF has made it a requirement for local authorities to issue three year budgets to aid planning. However, in practice this is a rolling

three year programme, so in the second year schools only have two years worth of information and in the third year only one year's budget. This is a constraint of the national spending review methodology which does not guarantee funds for more than 3 years at a time.

5.52 In trying to bring stability to the funding system the DCSF has introduced a minimum funding guarantee, so a school can not lose significant amounts of funding. However it is arguable that the complexity of the mechanism has had the converse effect of making forecasting more difficult.

The financial versus the academic year

5.53 The financial year by which schools and local authorities are required to account crosses academic years. One problem raised by this fact is that a conflict can occur when a budget shortfall exists that impacts on staffing numbers. From a school's perspective it is far better to make staffing adjustments at the start of the academic year as adjustments in the middle of the academic year will impact significantly on the delivery of the curriculum and thus affect the education of the children. Naturally, the earlier the budget notification the easier it is to plan ahead and agree how those changes will be implemented. When reductions in staff occur all the normal consultations with staff and unions have to take place and sufficient time has to be allowed. In essence, to ensure the personnel processes are complete by the end of the summer term budget plans have to be formulated and agreed by the governors during May.

Financial planning

5.54 Financial planning and management relies on a number of key components. Success depends on delivering the School Development Plan while achieving value for money. These key components can cover both personnel, systems and processes which come together to perform and assist the planning and management. They cover the financial skills of the Bursar, headteacher, governors and financial support provided by the borough or external contractors or financial computer systems and processes. In the current economic environment it is not surprising that value for money needs to be achieved through the financial planning cycle. It is important that schools are able to demonstrate they are:

- aligning strategic plans with their financial implications
- exploiting the potential of benchmarking
- using financial information well
- collaborating with other schools.

5.55 The Committee considered when schools received notification of their funding allocation and when they received their funding; and if this posed any problems. It was noted that since the introduction of three year budgets, schools receive an indicative notification of their budget in February which is then confirmed as the final notification in the last two weeks of March (although at the start of a three period provisional budget allocations are sent out in December in order for schools to undertake some provisional planning). The budget, by law, has to be based on the school census data which takes place on the third Thursday in January, but also contains significant amounts of other data. This includes test results, pupil turnover, energy consumption, staffing numbers, statement details and other social deprivation indicators. The Schools Forum agree on how the budget should be allocated by the middle of March but the DCSF only confirm the DSG allocation in June or July of each year, three months after the financial year has commenced. There is therefore great reliance on the Council's forecast of funding being accurate to avoid an in year recalculation of school budgets. Schools receive the actual cash either on a monthly or termly basis depending on whether they operate their own payroll system or not. If a school uses the Lewisham Council's payroll system no transfer of cash takes place for the payroll element of their budget, only the non staff costs of the budget is passed over to them and this is done on a termly basis.

5.56 The Committee asked if there was a way of streamlining the system so that schools were notified of their allocation at an earlier stage. Officers suggested that whilst there were ways in which this could be achieved, a balance needed to be made between early notification, the quality of the data and the fairness of the formula. One of the limiting factors is the complexity of the formula and the data needed to drive it. This all takes time to collate and check before the budget can be issued. It was suggested to the Committee that there was nothing worse for the reputation of the authority, in the eyes of schools, if the wrong budget information was sent out. The formula could be simplified to avoid collecting this data, although simplified formulas do not necessarily mean the fairest formula. Indeed most factors are included to help ensure fairness. It was noted that the main constraining item on the date of issue was the collection and checking of pupil numbers.

5.57 One possible solution to provide earlier notification would be for the Schools Forum to fix the rates of funding shortly after receiving the initial draft notification of the Dedicated Schools Grant, which usually occurs in November. The rates could be built into an electronic calculator placed on a website for schools to use, which would allow them to input their pupil numbers on census date and they would then be able to see

their budget straight away. The local authority would still have to collect the pupil numbers data as it would need to confirm that it was still within its overall funding envelope. Officers felt that there are risks with this strategy and it would be unwise to expose the Dedicated Schools Grant to such risks especially as settlements are likely to be tighter in future and the scope for manoeuvrability smaller. However, they did feel that in the future it would seem a realistic target to send out the final budget notifications in late February. When asked if this was realistic, officers suggested that it was, although it would be necessary to move forward some of the decision making processes of the School Forum and improve the current collection of statistical data held within the formula.

Comments from governors

5.58 A number of governors attended the September evidence session and they were invited to offer their views on the Schools Forum. The following comments and suggestions were made:

- each governing body could be advised to have a standing item on the Schools Forum at each meeting
- more information on the work of the Schools Forum needs to be filtered down to governors, as the Schools Forum does a lot of great work which governors are thankful for
- it would be helpful to circulate the forum's annual work programme to all governing bodies so they can comment on it and make suggestions
- Schools Forum minutes should be published on the website
- reminding headteachers of their duty to inform governors about the role and work of the Schools Forum would be helpful

5.59 In preparation for the Committee's review, the Chair of the Committee wrote to the Chairs of Lewisham governing bodies to let them know that the Committee was reviewing how the Schools Forum operates and how transparency, accountability and value for money are ensured. Governing bodies were invited to submit their views on the Schools Forum to the Committee. The specific questions asked were:

- are governors aware of the Schools Forum, its responsibilities and how it operates?
- is feedback provided to governing bodies by the headteachers and governors that sit on the forum?
- do governors understand how the Dedicated Schools Grant works and is allocated?

5.60 The following responses were received from Governing Bodies, suggesting that they did not feel particularly well informed about the role of the Schools Forum:

Response from Edmund Waller Primary School Governing Body

I am writing on behalf of the Governing Body at Edmund Waller, in response to Cllr Feakes letter of July 28th in which he asks for views on the Schools Forum for the meeting on 9th September. He asks 3 questions about our views and the responses are:

1. No
2. No
3. No – certainly not in relation to the Schools Forum

Please let me know if you need any clarification.

Response from the chair of Stillness Infant School Governing Body (also a Governor at Brockley School)

When the Chair of Governors Forum used to function there was a regular feedback from the governor representative on the School's Forum to chairs about the forum's business. This no longer happens at the Governors Forum which has replaced Chair's Forum. Perhaps there should be an agenda item on our termly forum meeting or a spot at the Annual conference. I do not recall ever hearing the School's Forum mentioned at a governing body meeting. It is possible the heads at Stillness/Brockley are not members. It may have been mentioned in the context of school rolls/admissions/amalgamations/rebuild at Brockley but only in passing. I do not understand how the Dedicated Schools Grant works or is allocated. I only have a hazy notion of what the School's Forum does. I've done a quick search via Google and on the Lewisham website but without much luck.

Response from Perrymount School Governing Body

I am responding to the email sent to the Chair of Governors' at Perrymount School. As a Governing Body we would like to know more about the School's Forum and how it operates.

Response from Haseltine Primary School

Cllr Feakes' letter to Governing Body Chairs in July seeking observations on the forum was the first time that I became aware of its existence. Although this may be a personal failing, I believe it worth demonstrating that this is a matter in which my previous background should have alerted me to its existence. I was a co-nominee from the old Governors' Forum (alongside the Schools Forum's current Vice-

Chair) on the forum's pre-cursor, the Budget Strategy and LMS Review Group. I ceased active participation in this and other Lewisham consultative groups around 2003/4 preparatory to my resignation as Chair at Haseltine nearly five years ago. Two years ago I became the Haseltine Chair once more and have never received any direct or indirect communication from the Schools Forum in that period. Because it came into existence during my "fallow years" I was ignorant of its institution. I have reviewed the officer report and wish to correct some potentially misleading statements about transparency, operation and accountability.

Transparency

"Schools are well informed..." This may well be true for headteachers and for those schools whose heads share such information with governors, but as I have said, above, this is not true for my school. I believe that this is a general state of affairs for a number of schools. However, I understand that forum information is shared at collaboratives and via the (headteacher/SAO-directed) newsletter and minutes, so that those staff members at least can become informed.

The officer report infers that the Governors Termly Information Pack regularly carries information about the forum's work. Sadly this is not so. This term's pack does indeed carry an article about the Early Years sub-group (with the briefest of mentions that it is a creature of the forum), but contains no details about how governors could query, or support, its work.

A review of the information pack for previous terms could produce no mention of the forum.

Indeed, it was once the practice of that pack to include summaries of the discussions at the termly Governors Association meetings, which in earlier years would have included feedback from its nominees to consultative groups. [Because the meetings of the Governors Association have often recently coincided with meetings of my own Governing Body, I cannot say whether verbal feedback reports are made there.]

Earlier this year I attended a training session about Financial Management Standard in Schools (FMSiS) which spoke about the role of the DSG; I do not recall any comment about the Schools Forum or its role, though I have no doubt that there is discussion of its role in the general governor training sessions for finance.

Operation and accountability

I note that the forum has "some key decision making powers". Yet I also note that the "Children's Joint Commissioning Group [CJCG] keeps

an oversight...” of it. Of course it is right that there are proper arrangements for co-ordination, but there seems to me to be an absence of clarity about formal lines of responsibility. Does it in fact act as a support group to the Group Finance Manager which in turn is responsible to CJCG? Or is it directly accountable to the Director of Resources? Or accountable to a Cabinet committee? Surprisingly its own terms of reference make no mention of any arrangements for accountability, nor indeed for any quorum.

Deprivation (as an aspect of the intended operation of the forum)

Appendix 3 gives background to a national review of the DSG, but I note that it was 3 years ago that Lewisham’s Social Deprivation Statement was produced and I’m unaware of any work by the forum to monitor or review the adequacy of the formula then established.

Conclusion and suggestions for improvement

- Transparency and accountability are not as healthy as inferred or presumed. Transparency could be improved by ensuring that the internal website –on which minutes are said to be available – is made open to governors; or that they are also published within the governors section of the public website.*
- At the beginning of each financial year publish the forum’s forthcoming work programme and circulate it to chairs and heads, seeking input to matters of interest in the programme and the raising of any concerns on areas not subject to immediate review.*
- The Governors Termly Information pack (and their website) to schedule all consultative groups on which there are governor nominees, together with details of who and how to contact those groups.*
- Review the terms of reference to ensure its accountability function.*

5.61 Officers agreed that the responses received from governors, in response to the Chair’s letter, all indicated a lack of knowledge about the role and work of the forum and that this needed to be addressed. It was reported that the Executive Director For Children and Young People would contact the Chair of the Governors Management Committee to request that a standing item on feedback from the Schools Forum be re-instated on every agenda. In addition, more information on the DSG would be placed on the agenda for the twice yearly meeting of governors and headteachers, they could also be reminded of their responsibility to keep their governors informed about the work and role of the Schools Forum.

Recommendations

6.1 The Committee would like to make the following recommendations designed to increase transparency, accountability and value for money in respect of the Schools Forum and DSG:

The Committee recommends that:

1. More information on the Schools Forum, its role, current work and the work of its sub-groups should be included in the Governors Termly Information pack.
2. The Governors Termly Information pack should list all sub-groups currently operating on which there are governor nominees, together with details of how to contact those groups.
3. Minutes of the Schools Forum should be published on the Lewisham website and on each school's internal website; and provided to governors by email or post. (Any confidential matters can be recorded in separate confidential minutes if required).
4. The forum's annual work programme should be sent to all headteachers and chairs of governors in the borough at the start of each academic year, requesting input and inviting suggestions.
5. A standing item on feedback from the Schools Forum should appear on every agenda of the Governors Management Committee.
6. Each Governing Body should be advised to have a standing item on the Schools Forum at each meeting.
7. Headteachers should be reminded of their responsibility to keep their governors informed about the work and role of the Schools Forum.
8. The Schools Forum terms of reference should be expanded to include mention of accountability (e.g. to ensure that all members of the forum provide adequate feedback to their constituents in order that all headteachers and governors in the borough are well-informed about the forum's role and work).
9. Further consideration should be given to the level and intensity of finance training for governors, to enable them to fulfil their role in the stewardship of public funds and in ensuring value for money, in view of the limited assurance levels awarded to schools by internal audit.
10. Consideration should be given to expanding the role of Governing Body Clerk to incorporate a research and analysis element, in order to enhance the support available for governors to enable them to better carry out their 'critical friend' role.

- 11.** Members of the Public Accounts and Children and Young People Select Committee should be kept updated on (a) the action being taken to address the limited assurance reports on schools in the borough; and (b) the findings of the Audit Panel once they have reviewed this issue.
- 12.** The Children and Young People Select Committee should receive a six monthly information report on the activities of the Schools Forum.
- 13.** The financial reporting information on the DSG provided to the Public Accounts Select Committee should be expanded to allow better scrutiny.

Appendix A

Dedicated Schools Grant (DSG) Formula

DSG is allocated to schools through the Individual Schools Budget (ISB) formula, consulted on with schools and agreed by the borough. It has many elements:

The Age Weighted Pupil Unit (AWPU) – The AWPU allocation provides funding based on the number of children in each year group. The calculation takes into account the differences in the costs of provision for the different year groups by providing different levels of funding for each. The AWPU allocation provides funding for classroom teaching time (including non-contact time), non-teaching classroom staff, supplies and services, some non-classroom staff and a number of budgets previously held by the authority which have been delegated to schools (for example payroll administration costs and large infant class size funds). The teaching cost element of the AWPU allocation operates on the basis of the cost of a teacher divided by the funded class size. In nursery classes the funded class size is 25, in Key Stages 1 and 2 it is 30, whilst in Key Stage 3 it is 26 and in Key Stage 4 it is 25.

Upper Pay Spine Funding – The Upper Pay Spine Funding allocation was added to the formula in 2006/07 when the Standards Fund Grant ceased. A count of the number of upper pay spine teachers in a school Full-Time Equivalent (FTE) is taken each spring term. Each FTE attracts an amount of funding. The funding rate is the total available amount (cash limited) divided by the number of eligible staff.

Curriculum Protection (Small Schools) Primary – Curriculum Protection acknowledges that every primary school needs to have a least one teacher per year group and that the AWPU allocation will not provide sufficient funds for this if there are fewer than 210 pupils in the schools (7 year groups multiplied by 30 pupils per class). Curriculum Protection provides an additional 1/30th of the cost of a teacher for as many empty places as are required to bring the total funded pupils and places to 210.

Curriculum Protection (Small Schools) Secondary – This allocation is as for primary schools, except that the minimum is four teachers per year group which equates to 600 pupils.

Irregular admissions – Where a school is unable to offer classes of thirty (for example half-form entry schools), the AWPU allocation will not provide sufficient funding for teacher costs (as it provides 1/30th of the cost of a teacher). For half-form entry schools, the irregular admissions allocation provides an additional 1/30th for the missing places after taking account of any possible vertical grouping. The irregular admissions allocation only applies to primary schools and

excludes schools with an offer of less than 30 pupils (as these schools will benefit from Curriculum Protection).

Overhead protection – Overheads are the cost of non-teaching time for heads, deputies and Special Educational Needs Coordinators (SENCOs) plus the costs of administrative and premises staff. The AWPU allocation contains an amount per pupil. The overhead protection allocation compares the amount allocated in the AWPU with an assessment of costs banded by pupil numbers. Where the AWPU funding is not sufficient, the overhead protection allocation makes up the shortfall.

NQT induction – Funding is provided for a year-long induction for Newly Qualified Teachers (NQTs). This funding is provided in arrears and will therefore be split over two financial years (the first two terms in one financial year and the third in the subsequent year).

Premises officer entitlements and salary safeguarding – Premises Officers that have been in post for a long time have contracts that entitle them to having their council tax paid. Schools are allocated an amount equal to the Council Tax charge. When these staff members leave, the funding will cease. Similarly, some premises officers are entitled to accommodation. Where such a premises officer's school does not have accommodation, a rent allowance is provided. If a subsequent premises officer is employed on a non-residential contract, the funding will cease. Where staff are redeployed as a consequence of a school closure or reorganisation, those staff may be eligible to have their salary level safeguarded. Where this is the case, the authority will meet this cost.

Additional Educational Needs (AEN) – This allocation uses a number of indicators to assess the levels of additional needs that are likely in a school (the indicators are not intended to inform about individual pupils' needs). So a school with a high level of these indicators, is likely to have a high level of pupils with additional needs. The indicators used are free school meals eligibility (social deprivation), foundation stage test results (prior attainment in primaries), primary/secondary test results (prior attainment in secondaries), fluency (English as an additional language) and three measures of pupils joining or leaving other than at the usual entry or exit points (mobility). For each pupil described above the funding is calculated by taking a weighting, a phase weighting and a rate of funding. The weightings and rates of funding for 2008/9 are shown below.

Appendix A

| AEN Component | FSM | Prior Attain. | Mobility: | | | Exposure to English | | |
|---------------|--------|---------------|----------------|----------------|---------------------|---------------------|--------|--------|
| | | | Casual Joiners | Casual Leavers | More Than 3 Schools | A) | B) | C) |
| Primary | | | | | | | | |
| Weighting | 5 | 5 | 3 | 0.6 | 4.5 | 3.4 | 1.13 | 0.28 |
| Phase | 1.02 | 1.02 | 1.02 | 1.02 | 1.02 | 0.8 | 0.8 | 0.8 |
| Unit Rate | £97.74 | £85.10 | £85.10 | £85.10 | £85.10 | £85.10 | £85.10 | £85.10 |
| Secondary | | | | | | | | |
| Weighting | 5 | 5 | 3 | 0.6 | 4.5 | 3.4 | 1.13 | 0.28 |
| Phase | 1 | 1 | 1 | 1 | 1 | 0.26 | 0.26 | 0.26 |
| Unit Rate | £97.74 | £85.10 | £85.10 | £85.10 | £85.10 | £85.10 | £85.10 | £85.10 |

Based on the percentage of pupils in a school that trigger the indicators. Each element of AEN is given a weighting:

| AEN Component | Social Deprivation (FSM) | Prior Attainment (Baseline/Foundation) | Mobility: Casual Joiners (On And Off Roll) |
|---------------|--------------------------|--|--|
| | 5 | 5 | 3 |

This is then divided into the school roll to give a percentage. For those schools with a percentage over 15%, the funding is calculated by taking the percentage points above 15% and then multiplying it by a rate of funding. For those schools having a percentage between 10 and 15% the proportion above 10% is calculated and then multiplied by a lower rate of funding. This avoids a steep drop for schools moving from above to below 15%. The formula reflects that the cost of AEN in schools does not have a linear relationship but escalates as the incidence or percentage of need rises.

Additional Education Need (AEN) protection – This allocation ensures a minimum amount of AEN funding per pupil to ensure that all schools receive a share of the available funds. This is calculated by taking the roll and multiplying it by a guaranteed weighting and then a rate of funding to set the minimum. If the protected amount is higher than the AEN allocation, a sum is added to the allocation to make the funding up to guaranteed level.

Statemented Special Education Needs (SEN) – funding for pupils with statements of SENeed is delivered via this allocation. The level of funding is determined by the statement. The funding is provided on a term by term basis and can go up or down during the financial year. From 2007/08 newly identified high incidence/low need SEN is funded through formula via collaborative. Existing statements and newly identified low incidence/high need SEN are unaffected. Funding will vary depending on the matrix band each pupil statement falls into.

Matrix Levels for 2008-2009 are as follows:

| LEVEL | TOTAL Apr-Mar | Equivalent to: | | | | | |
|-------|------------------|---|------------------------|---|------------------------|--|-----------------------|
| | | Annual IST hours @ £45.40 per hour | Weekly IST hours | Annual LSA hours @ £14.70 per hour | Weekly LSA hours | Annual TA hours @ £15.80 per hour | Weekly TA hours |
| 3N | £ 3,910 | 86 | 2.0 | 266 | 7.0 | 247 | 7.0 |
| 4N | £ 5,587 | 123 | 3.0 | 380 | 10.0 | 354 | 9.0 |
| 3 | £ 3,910 | 86 | 2.0 | 266 | 7.0 | 247 | 7.0 |
| 4 | £ 5,587 | 123 | 3.0 | 380 | 10.0 | 354 | 9.0 |
| 5 | £ 8,937 | 197 | 5.0 | 608 | 16.0 | 566 | 15.0 |
| 6 | £ 10,613 | 234 | 6.0 | 722 | 19.0 | 672 | 18.0 |
| 7 | £ 12,569 | 277 | 7.0 | 855 | 22.5 | 796 | 21.0 |
| 8 | £ 15,362 | 338 | 9.0 | 1,045 | 27.5 | 972 | 26.0 |
| 9 | £ 18,155 | 400 | 11.0 | 1,235 | 32.5 | 1,149 | 30.0 |
| 10 | £ 19,551 | 431 | 11.0 | 1,330 | 35.0 | 1,237 | 33.0 |

All figures will be time apportioned if the child concerned is not on roll at the school for the whole of the financial year.

Special Educational Need (SEN) units – This allocation provides funding for SEN units/resource bases contained within mainstream schools (for example a Hearing Impaired Unit). The funding is based on the number of places offered.

Free schools Meals (FSM) data – The data used is a three year average fixed at the beginning of the school's three year funding cycle. Historically the data is taken from the school census but as new years are added to the average data from the team that decides on FSM applications is replacing the census data.

Prior attainment – Each school will attract funding for every pupil whose Foundation Stage Profile score is in the bottom 15% of the authority. Six years worth of profile scores are used to cover the whole school and the data is fixed at the start of the 3 year funding cycle. In the secondary sector prior attainment is assessed by taking the National Foundation of Educational Research (NFER) Year 5 test results. The number of pupils in Band 3 attract funding. A three year average fixed at the beginning of the schools' three year funding cycle is used in the formula.

Casual joiners – on and off roll – A three year average fixed at the beginning of the schools' three year funding cycle is used. Primary sector – the number of pupils on roll that have both joined since the last enumeration day and upon joining entered year 1 or above. It does not include pupils transferring from infant to junior school.

Secondary sector – The number of pupils on roll during the last academic year who have BOTH joined since the last census day AND joined after the third Thursday in September of their Year 7 or at any point in a subsequent year group. Casual Joiners off roll – the number of pupils who qualify as casual admissions for this year, but then went off roll. If a pupil has come on and off roll more than once since the last enumeration date, they should be entered for each time they have come on and off roll.

Casual leavers – primary sector – The number of pupils who have BOTH left the school since the last census day AND left before the last month of their Year 6. Of course, this excludes pupils leaving at the end of Year 6. secondary sector – the number of pupils who have BOTH left the school since the last census day AND left before the summer term of their Year 11. Of course, this excludes pupils leaving at the end of Year 11. A three year average fixed at the beginning of the schools' three year funding cycle is used.

Three or more schools – The number of pupils who have attended three or more schools during their current phase (including their present school). Infant to junior transfers are excluded. A three year average fixed at the beginning of the schools' three year funding cycle is used.

Exposure to English – A three year average fixed at the beginning of the schools' three year funding cycle is used. The pupil exposure to English is categorised into three groups. Each group has a different weighting.

Site running costs – external allocation – This allocation provides funding on the basis of the external area of the school.

Site running costs – internal allocation – This allocation provides funding on the basis of the internal area of the school.

Site running costs – energy – This allocation is calculated using the internal area of the school and an energy weighting based on each school's energy usage. This weighting provides assistance to schools with higher than average energy usage, but does not fully fund the difference, thus providing an incentive for increased energy efficiency.

Site running costs – split Site allocation – This allocation provides funding for the costs of operating a school on different sites, for example additional reception staff, travel time or maintenance of an additional boiler. It is made up a lump sum which varies depending on the distance between sites. (The categories are (a) split by a busy road, (b) 400 meters apart or (c) 2 or more year groups are on a separate site.) There is a further allocation for staff travel between sites which is a lump sum in the Primary sector whilst in the Secondary sector an amount is given per journey between sites (excluding journeys at the start and end of the day)

Site running costs – facilities – This allocation provides funding for special facilities, for example swimming pools.

Site running costs – repairs & maintenance – This allocation is based on the internal area of the school.

Site running costs – playing fields – This allocation provides an amount per hectare and the amount of the NNDR (rates) charge for the field.

Site running costs – rent – Where a school rents a property for its provision as a consequence of shortcomings of its own property, this will be funded at cost.

Site running costs – NNDR (Rates) – Community schools are funded for their NNDR charge at the level of the charge expected when the ISB Shares are set. Voluntary Aided schools do not pay NNDR, but the authority is required to pay a charge of 15% of the nominal amount for the school. This budget has been delegated to schools who will in turn be charged the 15% by journal.

Site running costs – buildings insurance – This allocation provides funding based on the insurable value of the school. The allocation will be set at a level that matches the anticipated charge for the authority's insurance contract.

Staff-related insurance – This allocation provides funding based on pupil numbers and will be set at a level that matches the anticipated

charge for the authority's insurance contract. This allocation relates to Public and Employers Liability and Fidelity and not to supply insurance.

New & expanding schools – This allocation provides AWPU and resources funding for schools that are undergoing a planned increase in size.

VA admissions – This allocation distributes an amount previously spent by the authority on the administration of admissions to VA schools and is based on the number of pupils at the school.

Catering funding – All maintained schools in the borough are funded in the same way, regardless of whether they are part of Lewisham's centrally co-ordinated catering contract or not. Catering funding is provided both through the ISB Share and the Standards Fund. The rates used in the ISB formula catering allocation are calculated to ensure that sufficient funding is delegated to contract schools to cover the cost of the contract. These rates are then applied to those schools outside the contract. Each schools' catering subsidy and maintenance allocation is calculated by adding an amount per free school meal child on roll to an amount per non-free school meal child. This allocates an amount to cover kitchen maintenance and the subsidy for both free school meals and paid meals for pupils. Each schools' catering management allocation is calculated using an amount per child on roll. This allocates an amount to cover the client costs of managing and monitoring a catering contract. These two allocations are added together and are notified as one figure.

Sixth form double funding adjustment – Where sixth form provision cannot be excluded from the data used to calculate any of the allocations (for example external area), that allocation will be reduced using the proportion of pupils that are in the sixth form. These reductions are accumulated under the sixth form double funding adjustment heading.

Transitional protection – formula – Where a school's final ISB share has reduced by over 5% in cash terms year on year, transitional protection adds back two thirds of the amount over 5% in the first year and one third in the second year.

Minimum Funding Guarantee (MFG) – The MFG is the amount required to bring a school's ISB share per pupil up to a level determined by the DCSF. This level ensures that every school's budget increases by a minimum percentage per pupil (which means that schools with falling pupil numbers may still have a reduction in their budget).

Learning & skills Council Grant – The LSC grant funds sixth form provision (including a contribution to upper pay spine costs). The authority and schools are both notified of the amount for each school and the authority passes on this amount in full.

Appendix B

London Borough of Lewisham S52 budget Statement

| S52 | Budget Statement | 2009/10 | 2008/9 | Reason for change |
|--------------|---|----------------|----------------|--|
| Ref | | £'000 | £'000 | |
| 1.0.1 | Individual Schools Budget | 159,577 | 154,588 | Inflation, growth and increased numbers |
| 1.0.9 | Education of under 5s in Private/ voluntary/independent settings | 3,011 | 2,474 | Increase in numbers |
| 1.1.2 | School-specific contingencies | 1,146 | 1,312 | Reduction in expected need |
| 1.2.1 | Provision for pupils with SEN (including assigned resources) | 1,396 | 1,789 | Extra delegation to schools |
| 1.2.2 | Provision for pupils with SEN provision not included in line 1.2.1 | 1,851 | 1,808 | |
| 1.2.3 | Support for inclusion | 36 | 136 | Headroom – Tutors for Looked after Children |
| 1.2.4 | Fees for pupils at independent special schools & abroad | 3,477 | 3,501 | Fewer external cases |
| 1.2.6 | Fees to independent schools for pupils without SEN | 118 | 368 | Reduction in numbers |
| 1.2.7 | Inter-authority recoupment | 2,778 | 2,766 | |
| 1.3.1 | Pupil Referral Units | 3,532 | 2,975 | Technical change funding vired to Abbey Manor College |
| 1.3.2 | Behaviour Support Services | 1,475 | 1,352 | Behaviour and Educational support team |
| 1.3.3 | Education out of school | 1,205 | 1,127 | |
| 1.3.4 | 14 – 16 More practical learning options | 582 | 605 | |
| 1.3.5 | Education of Children under 5s | 3,507 | 3,707 | Extra funding for playcentres and daycentres |
| 1.4.2 | Free School Meals – eligibility | 83 | 89 | |
| 1.5.3 | School admissions | 474 | 440 | |
| 1.5.4 | Licences/subscriptions | 168 | 102 | |
| 1.5.5 | Miscellaneous | 188 | 183 | |
| 1.5.6 | Servicing of schools forums | 76 | 69 | |
| 1.5.7 | Staff costs – supply cover (not sickness) | 867 | 442 | To meet current levels of supply |
| 1.5.9 | Termination of Employment Costs | 188 | 419 | Fewer Cases |
| 1.7.1 | Capital Expenditure from Revenue (CERA) (Schools) | 2,898 | 2,975 | |
| | | | | |
| 1.8.1 | TOTAL SCHOOLS BUDGET | 188,633 | 183,227 | |

Appendix B

| Headroom 2008/9 | £k |
|--|------------|
| <p>Persistent absence</p> <p>The Children's Plan: Building Brighter Futures' highlights the importance of improving school attendance, in the context of raising aspirations and highlighting the wider opportunities and support that are available through schools. Although overall attendance is at its highest recorded level nationally, more remains to be done to reduce absence among certain groups.</p> <p>This funding was allocated to support work on persistent absence in the borough for those schools RAG rated RED by the DCSF.</p> <p>We have been informed that nationally we are the most successful Local Authority in reducing the number of persistent absences.</p> | 120 |
| <p>Teenage mothers</p> <p>This funding helps to ensure that young women who either already are teenage parents or who are about to become parents are able to continue their education. There is strong evidence that teenage parenthood is associated with low attainment and poor outcomes in other respects, so it is crucial to counter this disadvantage. This programme has helped 8 teenage mothers improve their educational attainment</p> | 30 |
| <p>Tutors for Looked After Children (LAC) Year 6</p> <p>Funding started in April 09 and additional support has been provided to primary aged LAC who need help to access the curriculum or need 1:1 support of a Teaching Assistant</p> | 100 |
| <p>Social workers at New Woodlands / Abbey Manor College</p> <p>A senior social worker is now in place at both Abbey Manor College and New Woodlands School. They are working with a number of families providing services to children in need and children subject to a Child Protection Plan. The social workers and the heads report that it is working well. The arrangement appears to facilitate good links between the schools and other partners, especially the Child and Adolescent Mental Health Services (CAMHS) and Children Social Care(CSC). Reports from parents have indicated they like them being based at the schools</p> | 90 |
| <p>Schools Partnership Development</p> <p>To help the local authority has developed a number of school partnerships in recent years to improve the delivery of services across the ECM Agenda. The funding has been mainly used to help schools set up federations by supporting some of the costs of the executive heads. It has also support smaller collaborative projects between schools by funding extra senior leadership capacity.</p> | 115 |
| <p>Sexual exploitation</p> <p>The sexual exploitation of children takes different forms, from children being involved in sexually exploitative relationships and receiving money, drugs or accommodation in return for sex with one or more men, to being exploited in more formal prostitution. While some element of coercion or intimidation is common, the involvement in exploitative relationships is more significantly characterised by choices borne out by the emotional, social and economic vulnerability of the child. The funding enables a continuing contribution to the joint boroughs work but with a limited number of Lewisham cases being supported.</p> | 15 |
| Total 2008/9 | 470 |

| Headroom 2008/9 | £k |
|---|------------|
| <p>School/Home support</p> <p>This provides an extension to the programme to deliver home/school parenting support. The focus is on schools where there are high levels of persistent absenteeism and exclusion. However, other factors used that impact on school achievement and could be used to target vulnerable families for early intervention – particularly Free School Meals(FSM) and mobility.</p> | 50 |
| <p>Additional tutors for Looked After Children (LAC)</p> <p>Additional support has been provided to LAC who need help to access the curriculum or need 1:1 support of a Teaching Assistant. Since additional help was provided to KS3 LAC there has been an improvement in SAT results.</p> | 100 |
| <p>Early intervention for prevention</p> <p>Early intervention to address the transition from early years to foundation stage for potentially vulnerable children from families on benefit.</p> | 50 |
| <p>Lewisham Challenge Closing the Gap</p> <p>The focus was on Black Pupils Achievement Programme and White Pupils Achievement Programme. The funding allows the extension of the Learning Mentor Programme and establishes a programme of external coaching and mentoring of targeted groups of pupils on FSM (likely to be Black and White British) in KS2 and KS4.</p> <p>The aim of this programme would be to raise aspiration and self esteem and confidence of children and young people at risk of underachievement and their parents/carers in order to improve their education.</p> | 75 |
| <p>Social workers</p> <p>To ensure that barriers to learning for children and young people with disabilities are eased through the provision of additional social care support are provided to those children and their families. The intention is to base a social worker in Greenvale and Watergate.</p> | 100 |
| <p>Mental health support services in schools</p> <p>To extend the existing mental health support service across a greater number of schools. The purpose of these workers is two-fold, they offer one to one support to children identified as showing signs of emotional and behavioural difficulties, but also offer support to teachers and school home support workers, by offering advice, consultation and mental health training opportunities.</p> | 100 |
| <p>Musical Pathway</p> <p>This is to support, develop and strengthen the musical provision for children moving from primary to secondary phases of education. The aim is to create opportunities and develop partnerships between schools whereby children in Key Stage 2 can sustain and develop their involvement in instrumental and vocal music making into Key Stage 3.</p> | 65 |
| Total 2009/10 | 540 |

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