

**TITLE OF REPORT: National Audit Office (NAO) Report – Financial Sustainability of Schools**

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### **Purpose of the Report**

1. The purpose of this report is to bring to Schools Forum attention the report on financial sustainability of schools issued by the NAO 14 December 2016.

### **Background**

2. Below are extracts and abridged summaries from the NAO pod cast. Below is the link to the NAO page containing the report documents.

<https://www.nao.org.uk/report/financial-sustainability-in-schools/>

3. Funding for schools has been relatively protected compared with most areas of public spending. Following the 2015 Spending Review, schools are now entering a period of reduced real terms funding per pupil.
4. The Department of Education (DfE) is aiming to support schools to ensure that by 2020 schools have the skills, capabilities and tools to manage the pressures on their budgets without affecting their ability to deliver good quality educational outcomes. The report examines whether the DfE is actually well placed to do that. The NAO looked at:-
  - Challenges to schools financial sustainability and what those are
  - The DfE understanding of and support for schools financial sustainability
  - How the DfE actually identifies and addresses the risk of financial failure in schools should that occur
5. The report covers state funded primary and secondary schools in England and looked at the overall budget and cost pressures for all schools. They have then reviewed the financial sustainability and support for all mainstream schools, which excludes alternative provisions in special schools.
6. The following are the main points of the report:-
  - Overall School Budget is protected in real terms
  - Funding per pupil will not increase in line with inflation.
  - Mainstream schools will have to find savings of £3 billion or 8% of the Schools Budget in 2019/20
  - Savings have not been not clearly communicated to schools

- Some information to assist schools exists already, e.g. benchmarking and efficiency tools and access to framework contracts, but work is not complete to help schools secure procurement and workforce saving
- There is a risk that schools may already be making poor decisions on how to cope with the financial pressures
- The financial position of primary schools has been relatively stable
- Signs of financial challenges in secondary schools
- The proportion secondary schools who are spending more than their income has increased
- It is not known with certainty why schools are overspending or underspending to build up reserves, or how long this is sustainable
- The impact of a real terms reduction to funding per pupil will be affected by a new national funding formula that will be introduced in 2018/19
- The NAO concluded that using the DfE's financial assessment criteria, they should intervene earlier and more often and it has also not evaluated the impact of its different interventions

### **Recommendations of the NAO**

- The DfE should publish its assessment of financial challenges to be faced by schools over the next few years
- To keep this up to date so it's clear what schools should be preparing for
- To provide the leadership to support schools and stakeholders to be open to the opportunities to efficiencies, while being realistic about what can be achieved in terms of timescale and cost savings
- To move faster to set out how it actually envisages schools are going to achieve savings of £3 billion by 2019/20
- To work with schools to make sure the DfE can assure parliament that these cost savings can be achieved without adversely impacting educational outcomes
- In terms of the oversight arrangements and the Education Funding Agency (EFA), there are 2 things:
  - the forward looking, predictive tool that it is developing is going to be important to help the Agency spot financial risk in academies before they happen and to help those academies
  - to improve its record keeping to provide assurance that the interventions are taking place and to learn from what works.

### **Proposal**

7. That Schools Forum notes the contents of the report and that further information and details can be found at the link above.

### **Recommendations**

8. That Schools Forum notes the report and its contents and notes the continuing financial pressures that schools will face in the coming years.

**For the following reasons:**

To bring to Schools Forum attention the contents and the recommendations of the NAO on the financial sustainability of schools.

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