House of Commons

Committee of Public Accounts

# Financial sustainability of schools in England

## Forty-Second Report of Session 2021–22

*Report, together with formal minutes relating to the report*

*Ordered by the House of Commons to be printed 23 February 2022*

**HC 650**
Published on 4 March 2022
by authority of the House of Commons

## The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine "the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit" (Standing Order No. 148).

### Current membership

Dame Meg Hillier MP (*Labour (Co-op), Hackney South and Shoreditch*) (Chair)

Mr Gareth Bacon MP *(Conservative, Orpington)*

Shaun Bailey MP (*Conservative, West Bromwich West*)

Dan Carden MP (*Labour, Liverpool, Walton*)

Sir Geoffrey Clifton-Brown MP (*Conservative, The Cotswolds*)

Rt Hon Mark Francois MP (*Conservative, Rayleigh and Wickford*)

Peter Grant MP (*Scottish National Party, Glenrothes*)

Kate Green MP *(Labour, Stretford and Urmston)*

Antony Higginbotham MP (*Conservative, Burnley*)

Mr Richard Holden MP (*Conservative, North West Durham*)

Craig Mackinlay MP (*Conservative, Thanet*)

Sarah Olney MP (*Liberal Democrat, Richmond Park*)

Kate Osamor MP (*Labour (Co-op), Edmonton*)

Nick Smith MP (*Labour, Blaenau Gwent*)

Helen Whately MP (*Conservative, Faversham and Mid Kent*)

James Wild MP *(Conservative, North West Norfolk*)

### Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No. 148. These are available on the Internet via www.parliament.uk.

### Publication



Committee reports are published on the Committee's website and in print by Order of the House.

### Committee staff

The current staff of the Committee are Jessica Bridges-Palmer (Media Officer), Ameet Chudasama (Committee Operations Manager), Richard Cooke (Clerk), Rose Leach (Committee Operations Officer), Heather Nathoo (Chair Liaison), Ben Rayner (Second Clerk).

### Contacts

All correspondence should be addressed to the Clerk of the Committee of Public Accounts, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5776; the Committee's email address is pubaccom@parliament.uk.

You can follow the Committee on Twitter using @CommonsPAC.

# Contents

# Summary

The Department for Education asserts that overall the school system is in good financial health. The most recent available data show that 88% of maintained schools and 93% of academy trusts in England are in surplus. But these national figures mask significant variation and challenges for individual schools. While the Department asserts from its global figures that schools have coped well with financial pressures it lacks the curiosity needed to find out what is actually happening at local level and why.

We remain concerned about the financial sustainability of the school system and about how more deprived schools, measured by proportion of children eligible for free school meals, are faring worse than less deprived schools under the Department's new funding system. The Government has committed an extra £4.7 billion for school funding as part of the 2021 Spending Review. But the Department has little assurance that this will be enough to cover cost pressures (including the impact of the COVID-19 pandemic) and deliver its ambition to achieve better outcomes for children.

Some of the steps that schools have needed to take in recent years to remain financially sustainable have adversely affected children's education. This includes schools that have cut staff, dropped certain subjects from the curriculum, and reduced support for pupils with special educational needs and disabilities (SEND) in response to financial pressures. The Department needs to recognise that these actions have an impact on the quality and breadth of the education that children receive.

# Introduction

In January 2021, there were more than 20,200 mainstream (primary and secondary) state schools in England, educating 8.2 million pupils aged four to 19 years old. Around 11,400 of these schools (56% of the total), with 3.6 million pupils, were maintained schools, which are funded and overseen by local authorities. The remaining 8,900 schools (44%) were academies, with 4.5 million pupils. Each academy school is part of an academy trust, directly funded by the Department for Education (the Department) and independent of the relevant local authority.

The Department is responsible for the school system and is ultimately accountable for securing value for money from the funding provided for schools. It works with the Education and Skills Funding Agency (the ESFA), which distributes funding for schools and provides assurance about how the money has been used. It oversees the financial health of schools and has a number of programmes to help schools manage their resources effectively and reduce costs.

In 2020–21, the Department provided mainstream schools with core revenue funding of £43.4 billion. Although the Department's total funding for schools increased by 7.1% in real terms between 2014–15 and 2020–21, the growth in pupil numbers meant that real-terms funding per pupil rose by 0.4%. Funding per pupil dropped in real terms each year between 2014–15 and 2018–19, before rising in 2019–20 and 2020–21. The Department estimates that, between 2015–16 and 2019–20, cost pressures on mainstream schools exceeded funding increases by £2.2 billion, mainly because of rising staff costs. Based on increases in the core schools budget announced by the Government in 2019, total and per-pupil funding for mainstream schools was expected to rise by around 4% in real terms between 2020–21 and 2022–23. In the 2021 Spending Review, the Government announced that it would provide an additional £4.7 billion by 2024–25 for the core schools budget in England, over and above the Spending Round 2019 settlement for schools in 2022–23.

# Conclusions and recommendations

1. **The Department does not understand well enough why there is so much geographical variation in maintained schools' financial health and why maintained secondary schools are under particular financial pressure.** In the year ending 31 March 2020, 11% of maintained schools were in deficit overall. However, the proportion of maintained schools that reported a cumulative deficit varied considerably between local authorities in England, ranging from 0% to 46%. In 26 local authorities, more than 20% of maintained schools were in deficit. Maintained secondary schools are under particular pressure: more than a quarter of these schools were in deficit in 2019–20, compared with one in ten maintained primary schools. The Department emphasises that the financial health of the school system overall has held up well and that most maintained schools are in surplus. It suggests that there are a variety of possible factors that may be causing the geographical variation in schools' financial health and the difference between primary and secondary schools, such as historical patterns of funding and the condition of school buildings. It lacks robust evidence, however, and accepts that it needs to do more work to understand better the variability.

   **Recommendation:** ***The Department should thoroughly investigate the geographical variation in in the financial health of maintained schools, determine the underlying causes and decide whether some schools or local areas need extra support from 2022–23 to be sustainable.***

2. **The large reserves that some academy trusts are building up mean that a significant amount of funding is not being spent on educating pupils currently in school.** In the year ending 31 August 2020, nearly a quarter of academy trusts (22%) had reserve balances equivalent to more than 20% of their annual income. Taken together, academy trusts had a cumulative surplus of £3.1 billion. The average balance per pupil held by academy trusts was £689, up from £608 in 2017/18 and more than double the average balance per pupil held by maintained schools. Academy trusts may build up reserves for a range of reasons, such as when they are planning capital works. Where reserves are not being held for specific purposes, the ESFA considers balances of more than 20% of a trust's income as excessive given the low level of risk in the academy sector. It asserts that it challenges academy trusts with excessive reserves, particularly if it has concerns about educational outcomes. However, the Department is not in a position to do this effectively as it does not have information on whether academy trusts have earmarked reserves for particular projects.

   **Recommendation:** ***The Department should:***

   - ***write to us, within one month of this report being published, with details of the specific actions it has taken where it has concerns about academy trusts holding significant reserves; and***

   - ***investigate those academy trusts with reserves equivalent to more than 20% of their income to establish whether the reserves are justified (including the extent to which they are designated for specific purposes), and write to us within six months with an update on the results of this work and any action it plans to take.***

3. **We are concerned that financial pressures faced by schools could damage children's education.** Research by Ofsted in 2019 found that a high proportion of headteachers reported reducing staffing levels, narrowing the curriculum and changing how they support pupils with SEND because of financial pressures. We have heard similar examples of our own local schools having to curtail provision, such as cutting teaching assistants, to balance the books. Some of these actions risk harming education. The Department asserts that pupil-teacher ratios and the hours taught in different subjects have remained largely stable at national level. It acknowledges, however, that there is cause for concern about a small number of subjects, such as design technology. We also note that the pupil-teacher ratio has in fact risen in secondary schools. The Department's school resource management initiatives aim to help schools to squeeze non-staff spending rather than cutting back on education provision. To date, however, it has not properly researched the impact of cost pressures on schools. The ESFA has now committed to carrying out its own study to assess the impact on provision of the measures adopted by schools in response to financial pressures.

**Recommendation:** ***In carrying out its research, the ESFA should collect sufficient, reliable evidence on the impact of financial pressures on schools at local level, including on whether they are leading to schools narrowing their curriculum and reducing staffing.***

***The Department should set out, in its Treasury Minute response, when it plans to publish the results of the ESFA's research.***

4. **While we wait for the much-delayed SEND review, the support system continues to fail many children and remains financially unsustainable.** In May 2020, we reported that many children with SEND were being failed by the support system and recommended that the Department should, as a matter of urgency, complete its SEND review which it had begun in September 2019. The SEND review has still not been completed, and families continue to be frustrated by the support system. The Department has now committed to publishing the results of the review in the first quarter of 2022, alongside the Schools White Paper. The aim of the review is to improve outcomes for children and young people with SEND. The Department says that, as well as educational attainment, the impact measures will cover life outcomes, such as the number of young people with SEND not in education, employment or training, and health and wellbeing. It is essential that the review is completed so improvements can be made. We are also concerned about the financial sustainability of the SEND system, for example some local authorities are struggling to cover the high costs of places in some private special schools. The Department expects that increased funding, including for more places in state special schools, and extra support for some local authorities with large high-needs deficits, will help to improve the sustainability of the system.

**Recommendation:** ***The Department should set out in the SEND review (which it has committed to publish in the first quarter of 2022) what improvements it is aiming to achieve and over what time period, and make clear what specific metrics it will use to assess whether the support system is improving and becoming more sustainable.***

# 1 Financial health of schools

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department for Education (the Department) and the Education and Skills Funding Agency (the ESFA) on the financial sustainability of schools in England.[1]

2. In January 2021, there were more than 20,200 mainstream state schools in England, educating 8.2 million pupils aged four to 19 years. These comprised nearly 16,800 primary schools and 3,500 secondary schools (including those with sixth forms). Around 11,400 mainstream schools (56% of the total), with 3.6 million pupils, were maintained schools, funded and overseen by local authorities. The remaining 8,900 schools (44%) were academies, with 4.5 million pupils. Each academy school is part of an academy trust, directly funded by the Department and independent of the relevant local authority.[2]

3. The Department is responsible for the school system and is ultimately accountable for securing value for money from the funding provided for schools. It works with the ESFA, which distributes funding for schools and provides assurance about how the money has been used. The ESFA also oversees schools' financial health and has a number of programmes to help schools manage their resources effectively and reduce costs.[3]

## Financial pressures on schools

4. In 2020–21, the Department provided mainstream schools with core revenue funding of £43.4 billion. Although the Department's total funding for schools increased by 7.1% in real terms between 2014–15 and 2020–21, the growth in pupil numbers meant that real-terms funding per pupil rose by just 0.4%. Funding per pupil dropped in real terms each year between 2014–15 and 2018–19, before rising in 2019–20 and 2020–21.[4] The Department estimates that, between 2015–16 and 2019–20, cost pressures on mainstream schools exceeded funding increases by £2.2 billion, mainly because of rising staff costs. Based on increases in the core schools budget announced by the Government in 2019, total and per-pupil funding for mainstream schools was expected to rise by around 4% in real terms between 2020–21 and 2022–23. In the 2021 Spending Review, the Government announced that it would provide an additional £4.7 billion by 2024–25 for the core schools budget in England, over and above the Spending Round 2019 settlement for schools in 2022–23.[5]

5. In 2018–19, the Department introduced a new national funding formula with the aim of allocating funding for schools more transparently, consistently, and fairly.[6] We reported in October 2021 that the national funding formula had led to a re-balancing of funding away from more deprived schools towards less deprived schools. Between 2017–18 and 2020–21, average per-pupil funding fell in real terms by 1.2% for the most deprived fifth of schools, but increased by 2.9% for the least deprived fifth.[7] We challenged the Department again about the impact of the national funding formula and minimum funding levels on

1 C&AG's Report, *Financial sustainability of schools in England*, Session 2021–22, HC 802, 25 November 2021
2 C&AG's Report, paras 1.2–1.3
3 C&AG's Report, paras 3, 12
4 NAO report on School funding in England, Figure 3.
5 C&AG's Report, para 1.6
6 C&AG's Report, *School funding in England*, Session 2021–22, HC 300, 2 July 2021, para 2.6
7 HC Committee of Public Accounts, *School funding*, Twenty-First Report of Session 2021–22, October 2021

deprived schools and children.[8] The Department told us that the critical thing was that funding followed deprivation and need, particularly at pupil level. It explained that the shift in the balance of funding between schools reflected changes in relative need over time, but the most deprived areas still received more funding than the least deprived.[9] The Department also said that it saw areas with similar levels of deprivation but with very different outcomes for their children, based on similar levels of resource. It explained that it wanted to work with schools on how they used their funding to help them get the best possible outcomes.[10]

6. The COVID-19 pandemic has had a significant impact on the school system but data are not yet available to indicate how schools' financial health has been affected.[11] The Department is providing extra funding to help schools cover costs relating to COVID-19, mostly for catch-up learning, but does not know the extent to which this covers cost pressures.[12] We noted in October 2021 that the funding being provided to help children and young people catch up on learning lost due to the disruption caused by the COVID-19 pandemic falls well short of the £15 billion that the Government's own Education Recovery Commissioner recommended.[13] The Department acknowledged that schools would also now be facing rising energy costs, but said that it expected these would comfortably be covered by the planned increases in funding.[14]

## Financial health of maintained schools

7. Maintained schools report their finances for the year ending in March. Most maintained schools were in surplus from 2014–15 to 2019–20, with 88% reporting a cumulative surplus in 2019–20. However, the proportion reporting a deficit more than doubled from 5% to 11% over the same period.[15] The proportion of maintained secondary schools in deficit peaked at 30% in 2017–18, falling to 27% in 2019–20. In contrast, the proportion of maintained primary schools in deficit was 10% in 2019–20.[16] In 2019–20, the proportion of maintained schools in deficit varied considerably between local authorities in England, ranging from 0% to 46%. In 26 local authorities, more than 20% of maintained schools were in deficit.[17]

8. We asked the Department why so many maintained schools were in deficit. The Department highlighted that the financial health of the school system had held up well and that most maintained schools and academy trusts were in surplus. The ESFA noted that only four local authorities had a net deficit when all their individual school balances were combined.[18] It said that it was not obvious what the drivers were for the geographical variation, for example there was no clear rural-urban split and it was not linked to deprivation.[19] The Department told us that it thought a number of factors contributed to the variation across the country and the situation was challenging because the factors

8 Q 167
9 Qq 151–152
10 Q 172
11 C&AG's Report, para 6
12 C&AG's Report, *School funding in England*, Session 2021–22, HC 300, 2 July 2021, para 10
13 HC Committee of Public Accounts, *School Funding*, Twenty-First Report of Session 2021–22, October 2021
14 Q 96
15 C&AG's Report, paras 8, 1.9
16 C&AG's Report, para 9
17 C&AG's Report, para 1.15, Figure 5
18 Qq 36, 39–40
19 Q 36, C&AG's Report, para 1.16

interacted. It explained that historical patterns of funding and the balance of maintained schools to academies in each local authority area were important factors. In addition, in some cases, capital investment and the condition of school buildings made a significant difference.[20]

9. The ESFA recognised that it needed to explore the geographical variation further and do more analysis, noting that the local authorities in the greatest difficulty were in different parts of the country. It said that, as maintained schools are funded on the same basis as academies, the position came down to financial management and governance. It told us that it needed to keep talking to local authorities to understand what was driving the differences.[21]

10. The ESFA told us that it was also keen to explore the reasons why maintained secondary schools appeared to be in more financial difficulty than maintained primary schools. The Department explained that the differences in the financial health of maintained primary and secondary schools had principally been driven by the different treatment in previous Spending Reviews of 16-to-19 funding compared with five-to-16 funding.[22] We note that the Department reduced funding per sixth-form student, which contributed to the balance of funding shifting from secondary schools to primary schools, between 2014–15 and 2020–21.[23] The Department said that it was keen to start to redress this position and was doing so through the extra funding committed in the 2021 Spending Review for both the school system as a whole and 16-to-19 students in particular.[24]

## Financial health of academy trusts

11. Academy trusts report their finances for the year ending in August. In 2019/20, 93% of academy trusts reported a cumulative surplus, up from 88% in 2017/18. The proportion reporting a cumulative deficit fell from 7% to 4% over the same period.[25] The net position for the academy sector as a whole in 2019/20 was a cumulative surplus of £3.1 billion. The average balance per pupil in academy trusts in 2019/20 was £689, up from £608 in 2017/18 and more than double the average balance of £337 per pupil in maintained schools in 2019–20.[26] The Department told us that, compared with maintained schools, academy trusts were able to manage their finances well for a number of reasons – they benefited from economies of scale, were able to pool and move money across the trust, and had professionalised how they use their school business managers.[27]

12. We asked about the large reserves that some academy trusts seemed to be building up. In 2019/20, 22% of academy trusts had built up reserve balances equivalent to more than 20% of their annual income. The ESFA told us that it wanted academy trusts, as charitable trusts, to hold reserves and that the majority of trusts had what would be considered a

20 Q 58
21 Qq 36, 41–42
22 Qq 36, 40
23 C&AG's Report, para 1.13
24 Qq 40, 63
25 C&AG's Report, paras 1.9, 1.21–1.22
26 C&AG's Report, paras 8, 10
27 Q 44

reasonable level of reserves. It said that there was no set figure for how much academy trusts should hold in reserve, which had to be looked at case by case, and it was in dialogue with each trust in the country.[28]

13. The ESFA explained that, in looking at an academy trust's reserves position, an important question was how much the trust had designated for capital works, school improvement and projects to take on a new school with challenges. If the amount left after that was more than 20% of income, it would consider the reserves to be excessive for the level of risk in the academy sector, which is low. The ESFA told us that its staff, combined with the regional schools commissioners, challenged excessive reserves, particularly if there were educational outcome issues, and that action tended to result in reserves being worked down.[29]

14. The ESFA said it expected that, for the very great majority of academy trusts, the level of reserves was either reasonable or, where the level on the face of it looked high, the amounts were being held for a particular purpose to support the needs of the pupils. The Department confirmed that it tried to take action where it thought academy trusts were building up reserves that were not sensible and reasonable.[30] However, we note that the Department does not have information on whether academy trusts have earmarked reserves for particular projects.[31]

28 Qq 46–47, 51; C&AG's Report, para 10
29 Q 47
30 Qq 47, 51
31 C&AG's Report, para 1.25

# 2 Impact of financial pressures on schools' provision

## Schools' responses to financial pressures

15. In 2018, our predecessor Committee, in light of its concerns about the wider issues affecting the school system, asked Ofsted to reflect on the main risks to schools' effectiveness and the systemic causes of poor performance, including the impact of funding pressures.[32] In response, in 2019, Ofsted carried out qualitative research into the potential risks to the quality of education and school effectiveness when schools are under financial pressure, and the ways that schools respond to financial pressure. In its research, Ofsted found that schools had made difficult decisions in response to financial pressures, including reducing spending on staff, learning resources and premises. It found that 46% of primary headteachers and 81% of secondary headteachers reported that their school had reduced teacher numbers in response to financial pressures in 2017–18 and 2018–19. In addition, 80% of primary headteachers and 72% of secondary headteachers reported making changes to the support provided to pupils with SEND because of financial pressure.[33]

16. We have heard examples of local schools taking steps such as cutting staff, particularly teaching assistants, and reducing provision for pupils with SEND, in order to make savings.[34] We also received written evidence from stakeholders in the sector about how schools had responded to financial pressures and the damaging impact that these measures could have on the support schools could provide. The National Education Union said that, faced with cost pressures, the major levers schools could pull were linked to staffing, which meant cuts in teacher and support staff jobs, increased pupil-teacher ratios, larger class sizes and reduced curriculum options. It considered these actions harmed education.[35] The National Association of Head Teachers reported that many schools had reduced budgets over a number of years to move to a surplus position at lower levels of expenditure, masking the impact of cuts, particularly to both teaching and support staff.[36] And a secondary school headteacher wrote to tell us that real-terms reductions in funding had impacted pupil class sizes which had grown significantly, and had increased teacher workload which affected the school's ability to attract and retain teachers and leaders.[37]

17. We asked the Department whether it was aware of the measures schools were taking in response to financial pressures and if they were a cause for concern. The Department told us it had been encouraged that, during the period when school budgets were falling per pupil in real terms, expenditure per pupil on staffing had stayed relatively flat, whereas expenditure per pupil on non-staff areas, such as energy costs, had gone down more significantly. It said that this was what it wanted to see, and that much of the work it had done through the school resource management programme had been about trying to help schools to save money on things like energy bills, procurement and other supplies, in order to release funds to spend in other areas. It told us that it had tried to use benchmarking

32 HC Committee of Public Accounts, *Ofsted's inspection of schools*, Sixtieth Report of Session 2017–19, September 2018

33 C&AG's Report, paras 1.31–1.32, 1.34

34 Qq 93, 120

35 FSE0003 National Education Union submission, page 7

36 FSE0006 National Association of Head Teachers submission, pages 4

37 FSE0002 Mr Robin M Bevan, Headteacher, Southend High School for Boys submission, page 2

tools to encourage schools to think about how they could, overall, move expenditure from non-staff to staff because it knew that good-quality teachers were the thing that made the biggest difference to children's outcomes.[38] The ESFA highlighted that it deployed school resource management advisers to help individual schools find efficiencies.[39]

18. The Department told us that staff-pupil ratios had stayed relatively stable, as had the number of teaching assistants across the school system. We note, however, that while the ratio of pupils to teachers remained relatively stable in nursery and primary schools from 2014 to 2020, varying between 20.3:1 and 20.9:1, ratios in secondary schools rose from 15.0:1 in 2014 to 16.6:1 in 2020.[40]

19. Ofsted's research also found that 44% of primary headteachers and 67% of secondary headteachers reported that responses to financial pressure had led to some reductions in curriculum breadth.[41] We asked the Department whether it was monitoring whether schools were dropping humanities or languages, because they did not have the staff to cover them or these subjects were too expensive to offer. The Department said that it did not want teachers to have to make financially driven decisions that reduced curriculum breadth. It told us that it kept a very close eye on this issue and monitored the number of hours taught in different subjects to identify any areas of concern. For example, it explained that hours taught in art and design and in music had held up relatively well, with a small drop between 2015–16 and 2020–21. The Department noted that there was more cause for concern about a couple of subjects – for example, the hours taught in design technology had fallen, which was something that it confirmed it would want to look into and keep an eye on.[42]

20. The Department has not to date carried out its own research into the impact of financial pressures on schools' provision.[43] The ESFA told us that it would now do a proper study on this area, with a representative sample of schools.[44]

## Support for children with special educational needs and disabilities

21. In May 2020, we reported on the support in place for children with special educational needs and disabilities (SEND). We concluded that many children with SEND were being failed by the support system and recommended that the Department should, as a matter of urgency, complete its SEND review which had begun in September 2019.[45] In March 2021, the Department told us that that it would publish the Green Paper with its proposals for change towards the end of June 2021. The Department did not meet this timetable and the SEND review has now taken over two years.[46]

22. We asked the Department why it had not made more progress in completing the SEND review. The Department told us that the review had been delayed as a result of the COVID-19 pandemic. First, it had paused work on the review and diverted resources

38 Qq 93–95
39 Q 56
40 Qq 93, 162; C&AG's Report, para 1.33
41 C&AG's Report, para 1.35
42 Qq 163, 175–177
43 C&AG's Report, para 1.30
44 Q 182
45 HC Committee of Public Accounts, *Support for children with special educational needs and disabilities*, First Report of Session 2019–21, May 2020
46 Q 113, HC Committee of Public Accounts, Oral evidence: COVID-19: Education, HC 944, March 2021

to manage its response to COVID-19, including supporting vulnerable children. Second, when its team had started working on the review again, stakeholders told the Department that the pandemic had changed the context for the review and the things that the review needed to do. Third, the Department had wanted to make sure that the SEND review was well integrated with the Schools White Paper.[47]

23. The Department acknowledged that the SEND review had been far too long delayed and said that the Secretary of State had now committed to publishing the results of the review in the first quarter of 2022, alongside the Schools White Paper. Members noted that the support system was still not supporting families effectively – with some constituents having described feeling as if they were fighting for two years or more to get an education, health and care plan for their child and feeling that the system was against them. We stressed the importance of ensuring that the revised system helps children with SEND and their parents. The Department committed to ensuring that this was the case.[48]

24. We asked the Department what the metrics of success for the SEND review would be and how it would know that it had succeeded in giving the necessary support to children with SEND. The Department told us that the goal of the review was to improve outcomes for children and young people with SEND in a financially sustainable way, because it could see that cost pressures and performance issues were interlinked. It said that it had been discussing metrics with the review's steering group and with stakeholders. As well as educational attainment, the impact measures would cover life outcomes, such as numbers not in education, employment or training, and health and wellbeing.[49]

25. The Department funds local authorities for support for children and young people with high needs through the dedicated schools grant. The number of local authorities reporting a deficit on their dedicated schools grant increased from five of 150 in 2014–15 to 94 of 149 in 2019–20. The total deficit, for local authorities reporting a deficit, was £675 million in 2019–20, an increase of £664 million since 2014–15. The main reason for the declining financial position is the increasing pressure many local authorities are facing from supporting children with SEND.[50]

26. In our report in May 2020, we found that there were not enough state special school places in some parts of the country, meaning that local authorities had to cover the high cost of places in independent schools and spend ever larger amounts on SEND transport. We recommended that the Department should carry out a systematic analysis of current and future demand for school places and facilities suitable for pupils with complex needs, and develop a costed plan for meeting those needs, which the Department agreed with.[51] We asked the Department about reports that local authorities are being required by tribunal judgements to send pupils to private providers, some of whom charge "exorbitant prices". The Department agreed that specialist provision was one of the key cost pressures on the SEND system, and that it would look at "some of these market structure questions" as part of the SEND review.[52]

47 Qq 129, 144

48 Qq 112–115, 125, 145–148

49 Qq 117, 119

50 C&AG's Report, paras 1.17–1.19

51 HC Committee of Public Accounts, *Support for children with special educational needs and disabilities*, First Report of Session 2019–21, May 2020; HM Treasury, Treasury Minutes: Government response to the Committee of Public Accounts on the First to the Sixth reports from Session 2019–21, CP 270, July 2020

52 Qq 123, 131–132

27. The Department said it had secured additional funding in the 2021 Spending Review including a capital settlement of £2.6 billion, part of which was for additional specialist provision.[53] It told us that, as well as the extra funding, it was working directly with those local authorities with some of the largest high-needs deficits to help them get greater control over their deficits while benefiting from additional funding and delivering what their children, young people and families need. It explained that some local authorities had looked at what was driving spending on expensive specialist provision and whether there were other ways they could use their money to manage children with high needs differently and reduce their use of costly specialist places. The Department said that it was seeing early signs that this "safety valve programme" was helping to bring deficits down and that it had funding to scale up the programme.[54]

53 Qq 102, 116
54 Qq 123, 135

# Formal minutes

## Wednesday 23 February 2022

Members present:

Dame Meg Hillier, in the Chair

Sir Geoffrey Clifton-Brown

Mr Mark Francois

Peter Grant

Kate Green

Antony Higginbotham

Sarah Olney

Kate Osamor

Nick Smith

James Wild

### *Financial sustainability of schools in England*

Draft Report (*Financial sustainability of schools in England*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 27 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

*Resolved*, That the Report be the Forty-second of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

## Adjournment

Adjourned till Monday 28 February at 3:30pm

# Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

### Wednesday 08 December 2021

**Susan Acland-Hood**, Permanent Secretary, Department for Education; **Indra Morris**, Director General Children Social Care, Department for Education; **Warwick Sharp**, Director, Education and Skills Funding Agency Q1–186

# Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

FSE numbers are generated by the evidence processing system and so may not be complete.

1 Catholic Education Service (FSE0005)

2 National Education Union (NEU) (FSE0003)

3 National Foundation for Educational Research (FSE0004)

4 Peck, Mr Gary (FSE0001)

# List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

### Session 2021–22

| Number | Title | Reference |
|---|---|---|
| 1st | Low emission cars | HC 186 |
| 2nd | BBC strategic financial management | HC 187 |
| 3rd | COVID-19: Support for children's education | HC 240 |
| 4th | COVID-19: Local government finance | HC 239 |
| 5th | COVID-19: Government Support for Charities | HC 250 |
| 6th | Public Sector Pensions | HC 289 |
| 7th | Adult Social Care Markets | HC 252 |
| 8th | COVID 19: Culture Recovery Fund | HC 340 |
| 9th | Fraud and Error | HC 253 |
| 10th | Overview of the English rail system | HC 170 |
| 11th | Local auditor reporting on local government in England | HC 171 |
| 12th | COVID 19: Cost Tracker Update | HC 173 |
| 13th | Initial lessons from the government's response to the COVID-19 pandemic | HC 175 |
| 14th | Windrush Compensation Scheme | HC 174 |
| 15th | DWP Employment support | HC 177 |
| 16th | Principles of effective regulation | HC 176 |
| 17th | High Speed 2: Progress at Summer 2021 | HC 329 |
| 18th | Government's delivery through arm's-length bodies | HC 181 |
| 19th | Protecting consumers from unsafe products | HC 180 |
| 20th | Optimising the defence estate | HC 179 |
| 21st | School Funding | HC 183 |
| 22nd | Improving the performance of major defence equipment contracts | HC 185 |
| 23rd | Test and Trace update | HC 182 |
| 24th | Crossrail: A progress update | HC 184 |
| 25th | The Department for Work and Pensions' Accounts 2020–21 – Fraud and error in the benefits system | HC 633 |
| 26th | Lessons from Greensill Capital: accreditation to business support schemes | HC 169 |
| 27th | Green Homes Grant Voucher Scheme | HC 635 |

| Number | Title | Reference |
|---|---|---|
| 28th | Efficiency in government | HC 636 |
| 29th | The National Law Enforcement Data Programme | HC 638 |
| 30th | Challenges in implementing digital change | HC 637 |
| 31st | Environmental Land Management Scheme | HC 639 |
| 32nd | Delivering gigabitcapable broadband | HC 743 |
| 33rd | Underpayments of the State Pension | HC 654 |
| 34th | Local Government Finance System: Overview and Challenges | HC 646 |
| 35th | The pharmacy early payment and salary advance schemes in the NHS | HC 745 |
| 36th | EU Exit: UK Border post transition | HC 746 |
| 37th | HMRC Performance in 2020–21 | HC 641 |
| 38th | COVID-19 cost tracker update | HC 640 |
| 39th | DWP Employment Support: Kickstart Scheme | HC 655 |
| 40th | Excess votes 2020–21: Serious Fraud Office | HC 1099 |
| 41st | Achieving Net Zero: Follow up | HC 642 |
| 1st Special Report | Fifth Annual Report of the Chair of the Committee of Public Accounts | HC 222 |

## Session 2019–21

| Number | Title | Reference |
|---|---|---|
| 1st | Support for children with special educational needs and disabilities | HC 85 |
| 2nd | Defence Nuclear Infrastructure | HC 86 |
| 3rd | High Speed 2: Spring 2020 Update | HC 84 |
| 4th | EU Exit: Get ready for Brexit Campaign | HC 131 |
| 5th | University technical colleges | HC 87 |
| 6th | Excess votes 2018–19 | HC 243 |
| 7th | Gambling regulation: problem gambling and protecting vulnerable people | HC 134 |
| 8th | NHS capital expenditure and financial management | HC 344 |
| 9th | Water supply and demand management | HC 378 |
| 10th | Defence capability and the Equipment Plan | HC 247 |
| 11th | Local authority investment in commercial property | HC 312 |
| 12th | Management of tax reliefs | HC 379 |
| 13th | Whole of Government Response to COVID-19 | HC 404 |
| 14th | Readying the NHS and social care for the COVID-19 peak | HC 405 |
| 15th | Improving the prison estate | HC 244 |

| Number | Title | Reference |
|---|---|---|
| 16th | Progress in remediating dangerous cladding | HC 406 |
| 17th | Immigration enforcement | HC 407 |
| 18th | NHS nursing workforce | HC 408 |
| 19th | Restoration and renewal of the Palace of Westminster | HC 549 |
| 20th | Tackling the tax gap | HC 650 |
| 21st | Government support for UK exporters | HC 679 |
| 22nd | Digital transformation in the NHS | HC 680 |
| 23rd | Delivering carrier strike | HC 684 |
| 24th | Selecting towns for the Towns Fund | HC 651 |
| 25th | Asylum accommodation and support transformation programme | HC 683 |
| 26th | Department of Work and Pensions Accounts 2019–20 | HC 681 |
| 27th | Covid-19: Supply of ventilators | HC 685 |
| 28th | The Nuclear Decommissioning Authority's management of the Magnox contract | HC 653 |
| 29th | Whitehall preparations for EU Exit | HC 682 |
| 30th | The production and distribution of cash | HC 654 |
| 31st | Starter Homes | HC 88 |
| 32nd | Specialist Skills in the civil service | HC 686 |
| 33rd | Covid-19: Bounce Back Loan Scheme | HC 687 |
| 34th | Covid-19: Support for jobs | HC 920 |
| 35th | Improving Broadband | HC 688 |
| 36th | HMRC performance 2019–20 | HC 690 |
| 37th | Whole of Government Accounts 2018–19 | HC 655 |
| 38th | Managing colleges' financial sustainability | HC 692 |
| 39th | Lessons from major projects and programmes | HC 694 |
| 40th | Achieving government's long-term environmental goals | HC 927 |
| 41st | COVID 19: the free school meals voucher scheme | HC 689 |
| 42nd | COVID-19: Government procurement and supply of Personal Protective Equipment | HC 928 |
| 43rd | COVID-19: Planning for a vaccine Part 1 | HC 930 |
| 44th | Excess Votes 2019–20 | HC 1205 |
| 45th | Managing flood risk | HC 931 |
| 46th | Achieving Net Zero | HC 935 |
| 47th | COVID-19: Test, track and trace (part 1) | HC 932 |
| 48th | Digital Services at the Border | HC 936 |
| 49th | COVID-19: housing people sleeping rough | HC 934 |

| Number | Title | Reference |
|---|---|---|
| 50th | Defence Equipment Plan 2020–2030 | HC 693 |
| 51st | Managing the expiry of PFI contracts | HC 1114 |
| 52nd | Key challenges facing the Ministry of Justice | HC 1190 |
| 53rd | Covid 19: supporting the vulnerable during lockdown | HC 938 |
| 54th | Improving single living accommodation for service personnel | HC 940 |
| 55th | Environmental tax measures | HC 937 |
| 56th | Industrial Strategy Challenge Fund | HC 941 |