

# Finance and funding



**School  
Governance  
2020**

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September 2020

**Visible**  
**Governance**  
in schools

# Foreword

Balancing the budget remains the single biggest issue facing schools and trusts. This is the case for respondents from all types of schools, although it was reported most by local authority maintained schools as a top concern (43%), then by stand-alone academies (38%) and lowest for multi academy trusts, raised by 34% of both trustees and those governing at academy level. The only time it was knocked out of first place was by schools that not been graded by Ofsted as good or outstanding, and then raising attainment was the top concern.

More respondents reported that they were able to balance their budgets in the coming year, 63% compared with half in what was then their current financial year. This is likely to be the result of a combination of the increased funding awarded by the Government and measures taken by the trust or school to reduce expenditure.

Schools were still reporting many areas in which spending is being curtailed. Many schools are continuing to make staff redundancies, including two-thirds reporting reducing the number of support staff and a third reducing teaching staff. This is more than last year and the diminishing posts is of course cumulative over a number of years. Half of respondents have reduced spending on buildings and maintenance, again up from 2019. The trend to reduce the number of subjects and qualification offered at secondary schools also continues.

Just over a quarter of schools and trusts responding are using reserves to cover an in-year deficit, but six percent report that they are using a licensed deficit from the local authority or a loan from the ESFA.

Emma Knights, chief executive  
National Governance Association

# Introduction

One of the core functions of governance is the oversight of a school or trust's financial performance to ensure that public money is well spent. Governing boards therefore play a pivotal role in how funds are maximised in the best interests of all of their organisation's pupils, and have a deep understanding of the state of school finances.

In 2019, the Institute for Fiscal Studies calculated that per pupil spending in England fell by 8% in real terms between 2009/10 and 2019/20 meaning that governing boards and their schools have been managing tighter budgets. In response to mounting pressure from the education sector, including NGA through its Funding the Future campaign, the government announced a £14 billion package for schools, distributed over three years to match per-pupil funding for schools at in line with inflation. This funding package is to be delivered between 2020/1 to 2022/23 bringing budget assigned to schools to £52.2 billion by 2022/23.

Balancing the budget was reported as the biggest issue facing schools according to governors and trustees with 40% of respondents citing this as one of their school or trust's top three issues.

The effects of COVID-19 will no doubt come with its own set of financial challenges, not only for schools facing additional costs but for their communities, meaning school leaders and governing boards will likely have difficult decisions to make in the coming months if not adequately financially supported.

The annual school governance survey has been running since 2011 and is the largest survey of its kind, this year achieving 6,864 responses. In this year's survey, governors and trustees were asked for their views on the impact of announced additional funding, the state of current budgets and financial constraints.

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# 6,864

## respondents

## engaged with

## the survey

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# Key findings

Here's what governors and trustees told us about their experience of overseeing the finances of schools and trusts, and their views on relevant education policies.



- 01 Additional funding announced in 2019 will not solve all the issues faced by governing boards but it is still progress. Nearly half (48%) said the funding will make a difference, while just under a third (31%) said the funding is unlikely to make a difference.
- 02 63% of respondents report that their board expects to balance the budget in their school or trust's next financial year, a 13% increase from the proportion of respondents who reported this in 2019.
- 03 The financial position of schools is a varied picture. Only half of governors/trustees report that their school or trust is currently balancing income and expenditure (50%) while over a quarter are in an in-year deficit and drawing on reserves (28%).
- 04 Many schools are continuing to make staff redundant in response to financial constraints with nearly three in five governors/trustees reporting that their school/trust had reduced the number of support staff (67%) and a third reporting that they had reduced their number of teaching staff (32%).
- 05 Spending on buildings and maintenance had decreased for schools and trusts as a direct result of financial constraints according to half of governors/trustees surveyed (50%).
- 06 Secondary schools hit by financial pressures are reducing the subjects on offer for students (40%) and the number of teaching staff (45%), with nearly a third increasing class sizes as a result.
- 07 The practice of asking for parental contributions is not always reflective of the organisation's financial position. 23% of those governing schools building reserves reported that their school/trust asked for parental contributions.
- 08 Not all boards receive advice from the school or trust's business professional. More than one in ten governors/trustees surveyed (13%) report that their organisation's business professional does not provide the governing board with advice on financial performance efficiency, or that they were unaware if they did.
- 09 Despite recent calls to elevate the status of SEND, support for pupils with SEND continues to be hit as a result of financial constraints. In 2020 this was one of the three most important issues facing their school for nearly a quarter of respondents, and 14% said SEND support had been cut because of financial pressures.

# Findings

- School funding
- Balancing the budget
- Business professionals
- Financial constraints



## School funding

There was a mixed response to whether governors and trustees feel the announced additional funding would make a difference. 48% of governors and trustees surveyed are somewhat optimistic about the increased funding. 12% said it was 'very likely' that it would allow the organisation's budget to meet the needs of pupils, with a further 37% saying it was somewhat likely.

This leaves almost a third of governors/trustees disagreeing that the funding will have the desired impact, 23% report that this is 'somewhat unlikely' while 8% believe this was 'very unlikely'. The remaining 20% of respondents report that they feel this is 'neither likely nor unlikely'.

There was little variation between those governing maintained schools and those governing in academy trusts as to whether they feel the funding will allow school budgets to meet the needs of pupils (48% vs 50%) but there was some difference by region. As seen in figure 1, a higher proportion of those governing in regions further north report that the additional funding is 'somewhat or very likely' to have a positive effect compared with those governing schools in the south.

Those governing whose schools are already in more sustainable financial positions were also the most likely to believe that the additional funding would make a difference. Only 24% of those governing a school or trust currently using a

	South East	South West	London	East Midlands	West Midlands	North West	North East	East of England	Yorkshire and Humber
Somewhat or very likely (%)	45%	46%	39%	55%	49%	50%	62%	46%	50%
Somewhat or very unlikely (%)	35%	33%	41%	24%	30%	29%	21%	35%	28%

Figure 1, table showing percentage of respondents in each region and to what extent they felt the government's additional funding would enable them to meet the needs of their pupils

### A note on financial position

Where respondents have reported their financial position as 'using licensed deficit from the LA/loan from ESFA', this will be from the LA for maintained schools and from the ESFA for academies within academy trusts.

On questions relating to this section, MAT trustees were asked for an overview of their whole trust's finances.

licensed deficit loan from the LA or a loan from Education and Skills Funding Agency (ESFA) agree the increased funding will allow their school or trust's budget to meet the needs of pupils compared to:

- 31% of those governing schools with 'in-year deficits' (ie drawing from reserves);
- 53% of those governing schools balancing income and expenditure;
- 73% of those governing schools building reserves.

61% of those governing schools reliant on loans report that the additional funding is unlikely to allow school budgets to meet the needs of pupils: this fell to 41% for those with in-year deficits, 21% for those balancing income and expenditure and 15% of those governing schools or trusts building reserves.

## Balancing the budget

There are signs of increased optimism with 63% of respondents expecting their school or trust to be in a position to balance the budget in 2020/21 compared with only 49% of respondents in 2019. Although the reasoning for this is unknown, the 14% increase may be due to a mix of the prospect of increased funding from 2020/21 and the outcome of actions already taken to mitigate financial constraints.

Despite the increase, nearly 40% of governors and trustees either do not believe that they will be able to balance the budget this year (20%) or reported that they are unsure (16%).

When describing their current financial situation, just 6% report that they are currently building reserves, 50% report that they are balancing income and expenditure, and 28% report that their organisation is in an in-year deficit and drawing from reserves. Meanwhile, 6% report that they are using a licensed deficit from the LA or a loan from the ESFA.

The current financial position of respondents' schools or trusts affected whether they expect their organisation to balance the budget in their school or trust's next financial year. Nine in 10 respondents building reserves report that they expect to balance the budget next year (90%), which fell to 85% for those whose schools/trusts are balancing income and expenditure and down to 42% for those in an 'in-year deficit'. Only 18% of those currently using a licensed loan report expecting to balance the budget in 2020/21.

## Business professionals

87% of respondents report that their school or board has a business professional who provides the board with advice on financial performance and efficiency. 8% admitted they do not have advice from a business professional and 5% said they do not know.

There was no difference in both phases and types of school/structure, who were equally likely to receive this advice however, as seen in figure 3, respondents from Yorkshire and Humber, the South East and London are among the most likely to report that the school/trust's business professional provides them with advice while those from the East Midlands, the East of England and the South West are amongst the least likely.

	South East	South West	London	East Midlands	West Midlands	North West	North East	East of England	Yorkshire and Humber
Balancing income and expenditure	48%	48%	43%	57%	45%	52%	59%	51%	51%
In-year deficit ie drawing from reserves	31%	30%	36%	20%	34%	26%	13%	32%	25%
Using licensed deficit from the LA/loan from ESFA	6%	6%	9%	3%	6%	5%	8%	3%	6%
Building reserves	6%	6%	6%	9%	5%	6%	9%	6%	6%
Other	9%	10%	6%	11%	10%	11%	11%	9%	12%

Figure 2, table showing proportion of respondents' financial positions by region

## Financial constraints

When asked what actions their school or trust has taken because of financial constraints, the most common measures undertaken according to governors and trustees were:

1. Reducing the number of support staff (67%)
2. Reducing spend on buildings and maintenance (50%)
3. Reducing the number of teaching staff (32%)
4. Reducing extra-curricular activities (25%)
5. Asking for parental contributions (21%)
6. Reducing class sizes (20%)
7. Reducing support for pupils with SEND (14%)

There was also an increase in the number of respondents who reported undertaking these actions compared with last year as seen in figure 4:

- Reducing the number of support staff (a 15% increase from 2019)
- Reducing spending on building and maintenance (a 12% increase from 2019)
- Reducing extra-curricular activities (a 7% increase from 2019)

Those governing different school phases had different responses to financial constraints as seen in figure 5:

- 40% of those governing in secondary settings and 18% of those governing alternative provisions (AP) or pupil referral units (PRU) reported reducing the number of subjects on offer
- 17% of secondary and 23% AP/PRU governors/trustees reported reducing qualifications on offer
- 70% of secondary and 75% of AP/PRU governors/trustees reported reducing the number of support staff
- 30% of secondary and 33% of special schools reported increasing class sizes
- Primary and nursery schools relied the most on parental contributions (22%)
- 32% of AP/PRU and 33% special school governors/trustees reported reducing spending on extra-curricular activities
- Those governing APs/PRUs (5%) and special schools (9%) were much less likely to report reducing spend on special educational needs and/or disabilities (SEND)

	South East	South West	London	East Midlands	West Midlands	North West	North East	East of England	Yorkshire and Humber
Respondents whose school or trust's business professional provides advice to the governing board on financial performance and efficiency (%)	91%	90%	90%	86%	86%	86%	84%	84%	84%

Figure 3, table showing percentage of respondents whose board has a business professional who provides advice to the governing board on financial performance and efficiency by region

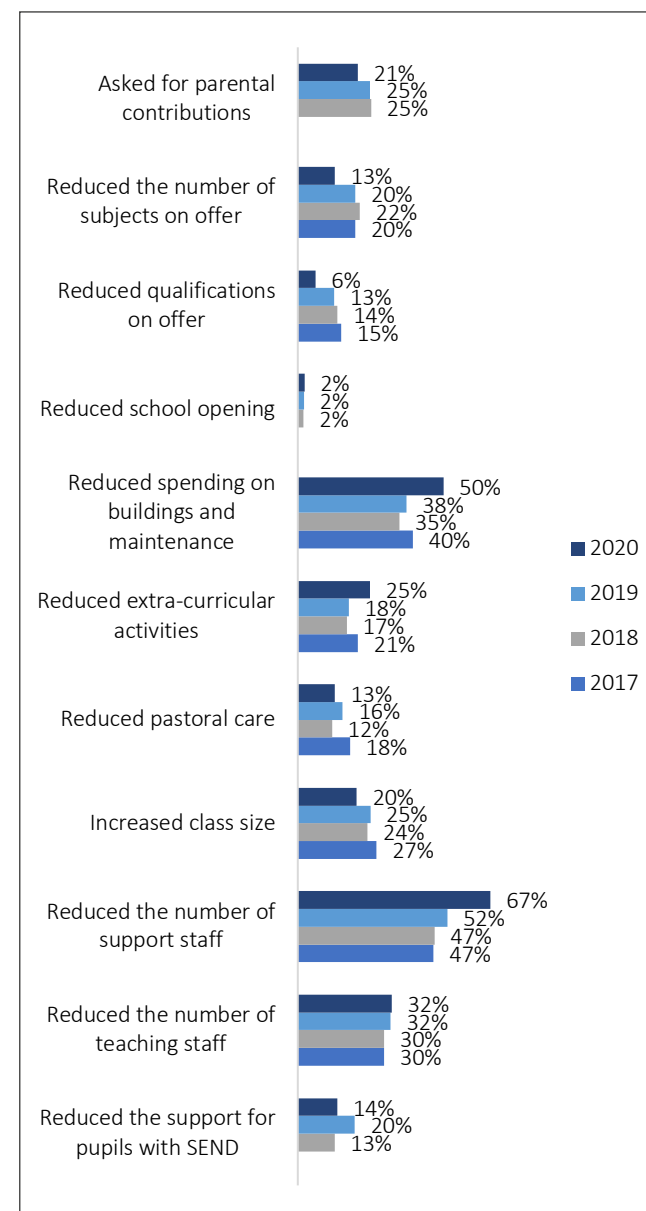


Figure 4, bar chart showing proportion of respondents who reported taking actions as a result of financial constraints (2017 – 2016)

Meanwhile, 22% of governors/trustees said that support for special education needs was one of the three most important issues facing their school(s) and this was higher for those governing special schools (36%).

Those in weaker financial positions were more likely to report acting due to financial constraints, particularly regarding reducing teaching and support staff and spend on buildings and maintenance as seen in figure 6.

- 52% of respondents using a deficit loan reported reducing the number of teaching staff, compared to 36% of those from schools/trusts with an in-year deficit and 28% and 30% of those balancing income and expenditure or building reserves, respectively.
- 79% of respondents using a deficit loan reported reducing the number of support staff, compared to 74% of those from schools/trusts with an in-year deficit and 62% and 53% of those balancing income and expenditure or building reserves, respectively.
- 62% of respondents using a deficit loan reported reducing the spend on buildings and maintenance, compared to 57% of those from schools/trusts with an in-year deficit and 46% and 44% of those balancing income and expenditure or building reserves, respectively.
- One in five governors/trustees governing schools or trusts currently building reserves reported that they still asked for parental contributions as a result of financial constraints, indicating that this has become a normal expectation on parents instead of based on extreme pressure.

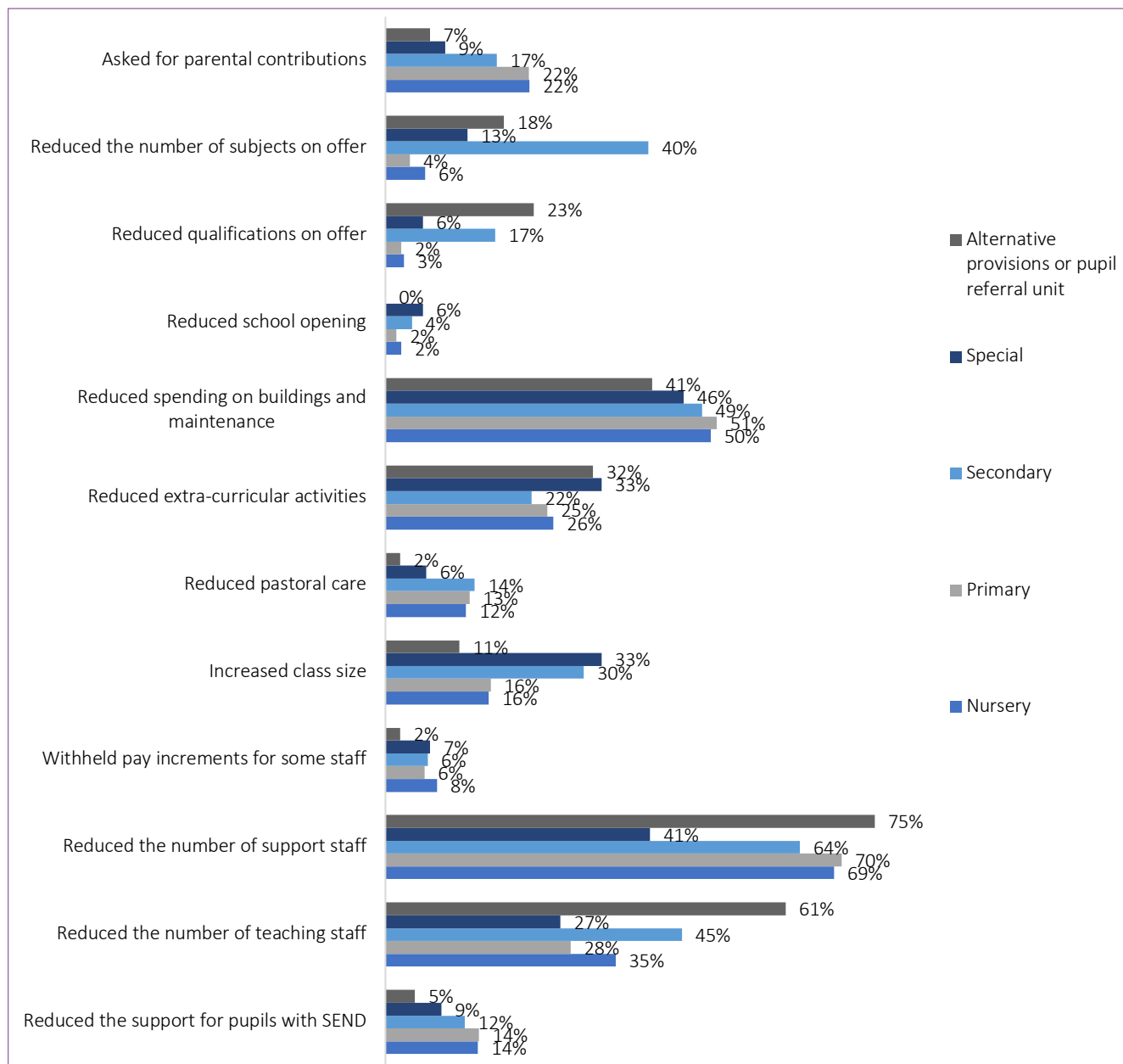


Figure 5, bar chart showing proportion of respondents who reported taking actions as a result of financial constraints by school phase

	South East	South West	London	East Midlands	West Midlands	North West	North East	East of England	Yorkshire and Humber
Reduced the support for pupils with SEND	14%	15%	10%	15%	12%	13%	13%	18%	12%
Reduced the number of teaching staff	30%	34%	36%	32%	29%	31%	40%	33%	35%
Reduced the number of support staff	66%	67%	66%	66%	66%	64%	61%	69%	75%
Withheld pay increments for some staff	7%	5%	7%	6%	9%	7%	4%	5%	4%
Increased class size	19%	24%	17%	22%	21%	16%	23%	22%	26%
Reduced pastoral care	12%	16%	12%	12%	14%	12%	10%	13%	14%
Reduced extra-curricular activities	26%	26%	30%	22%	26%	26%	16%	20%	22%
Reduced spending on buildings and maintenance	53%	58%	46%	50%	52%	51%	43%	52%	37%
Reduced school opening	4%	1%	3%	1%	2%	2%	3%	2%	4%
Reduced qualifications on offer	7%	7%	5%	7%	7%	5%	8%	6%	6%
Reduced the number of subjects on offer	15%	14%	15%	11%	13%	9%	11%	12%	16%
Asked for parental contributions	28%	18%	34%	13%	18%	19%	15%	17%	15%

Figure 6, table showing proportion of respondents who reported taking actions as a result of financial constraints by region

## NGA resources

**n|g|a** National  
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KNOWLEDGE CENTRE

In the Knowledge Centre, you will find a variety of guidance and information on topics relating to governance and education. Resources that will help you navigate the topics covered in this report include:

- [Financial planning](#)
- [Monitoring monthly expenditure](#)
- [Guidance for effective financial oversight in academies](#)
- [Integrated curriculum and financial planning](#)
- [Questions for governing boards to ask: Finance](#)

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# Methodology

These findings are the results of a survey conducted between Tuesday 21 April and Tuesday 26 May 2020. The survey was open to all governors, trustees, and academy committee members (often also called local governors) of state-funded schools in England and 6,864 individuals engaged with the survey. Participants were self-selecting and therefore this survey is not a representative sample. However, the respondents who filled in the survey broadly match the national picture, being proportional to schools in England by phase, type, school structure and region.



	State-funded schools in England	Survey respondents
LA maintained schools	57%	61%
Academies within trusts	43%	39%

	State-funded schools in England	Survey respondents
East of England	12%	7%
East Midlands	9%	12%
London	12%	9%
North East	5%	4%
North West	15%	20%
South East	15%	19%
South West	11%	12%
West Midlands	11%	8%
Yorkshire and Humber	10%	8%

	State-funded schools in England	Survey respondents
Nursery	2%	10%
Primary	76%	65%
Secondary	16%	21%
Special	5%	4%
Alternative provision or pupil referral unit	2%	1%

# About us

The National Governance Association (NGA) is the membership organisation for governors, trustees and clerks of state schools in England.

We are an independent, not-for-profit charity that aims to improve the educational standards and wellbeing of young people by increasing the effectiveness of governing boards and promoting high standards. We are expert leaders in school and trust governance, providing information, advice and guidance, professional development and e-learning.

We represent the views of governors, trustees and clerks at a national level and work closely with, and lobby, UK government and educational bodies.

If you are not already a member of NGA but would like to find out more, please visit [www.nga.org.uk/join](http://www.nga.org.uk/join)



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**Independent and confidential advice for GOLD members**

Our advice team is available to deal with any queries you may have, big or small. We provide advice on matters relating to: governance roles and responsibilities; admissions; exclusions; complaints; constitution of the board; conflicts of interest; multi academy trusts; and education law.

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