



National Audit Office

Department for Education

Oversight of financial management in local authority maintained schools

Detailed Methodology

OCTOBER 2011

Methodology

1 The National Audit Office's report on *Oversight of financial management in local authority maintained schools* (HC 1517) explored how the Department for Education (the Department) gained assurance on the financial management capacity and capability in maintained schools, through local authority oversight and intervention. This Appendix outlines the research methods used in the course of our examination.

Scope

2 Our report focuses on three key areas:

- the information available to the Department about schools' financial management, and local authorities' monitoring systems and intervention;
- how the Department helps improve schools' financial management expertise; and
- the Department's and authorities' arrangements to support good financial management and cost reduction in schools.

3 We analysed the issues involved in each of these areas to develop a set of subsidiary questions, which we then sought to answer using a variety of research methods.

Methodology

4 The methods used in this report were:

- interviews with departmental staff and key stakeholder bodies;
- reviews of departmental documents and published literature from other sources;
- a survey of local authority Chief Finance Officers;
- financial analysis of school-level finance data held by the Department;
- quantitative analysis of data held by the Department on various aspects of financial management;
- an online survey of schools; and
- case study visits to local authorities and schools.

5 Our fieldwork took place between April and July 2011.

Interviews with the Department and stakeholders

6 We held semi-structured interviews with staff within the Department for Education and from key stakeholder bodies in the schools sector (**Figure 1**) to inform our understanding of how schools managed their finances, local authorities exercised oversight, and the Department sought assurance and provided support. We also liaised with Ofsted and the Audit Commission, and received written submissions from the National Union of Teachers and the Association of School and College Leaders.

7 Our questions covered the following areas:

- the extent of any gap in the financial management capability of the schools sector, and the steps being taken to address the gap;
- how the Department gains assurance over the quality of financial management in the schools sector, including its reliance on local authority oversight; and
- how the Department gains assurance that, where necessary, schools are reducing costs while maintaining quality and performance.

8 We analysed responses in line with our analysis of the issues that we had previously identified (paragraph 3).

Figure 1 Stakeholder bodies interviewed

- The Department's reference groups of primary and secondary headteachers
- National College for School Leadership
- National Governors' Association
- School Governors' One Stop Shop
- National Association of School Business Management
- Local Government Association
- Chartered Institute of Public Finance and Accountancy
- Association of Teachers and Lecturers

Source: National Audit Office

Documentary and literature review

9 To answer the questions we had earlier identified for each key area (paragraph 3), we reviewed departmental documents, minutes of meetings and published guidance on the following topics:

- the school funding regime;
- financial management in schools, including the Financial Management Standard in Schools and its replacement, the Schools Financial Value Standard;
- the framework for local authority oversight for schools' financial management;
- the financial capability of the schools' sector; and
- efficiency and value for money in schools, including improvements to procurement.

10 We also reviewed independent research on the above topics from bodies such as the National College, Ofsted and the Audit Commission.

Survey of local authority Chief Finance Officers

11 We carried out a web-based survey of Chief Finance Officers in each local authority in England with responsibility for education, to generate quantitative and qualitative data on:

- financial capability within schools and local authorities;
- local authority support to, and monitoring of, schools' financial management; and
- action taken by local authorities to address poor financial performance.

12 The survey ran between 7 and 29 June 2011, and in total 60 of 152 local authorities (40 per cent) responded. Authorities from London, South-East, South-West and North-East were slightly under-represented (**Figure 2**). Responses were evenly spread by type of authority and urban/rural split.

Financial analysis

13 We analysed the Consistent Financial Reporting data submitted to the Department by local authority maintained primary and secondary schools for 2009-10. We classified spending into three cost categories: staff, procurement and back office, and miscellaneous, in order to identify the proportion spent on procurement and back office, and by how much the proportion would need to decrease for schools to achieve the £1 billion of savings identified in this cost category.

Figure 2
Responses to survey of local authorities

	Percentage of authorities responding
Local authority type	
County Council	39
London	34
Metropolitan	41
Unitary	44
Region	
East Midlands	56
East of England	55
West Midlands	50
Yorkshire and Humberside	40
North West	39
London	34
North East	33
South East	32
South West	31
Rural/Urban	
Rural	39
Urban	40

Source: National Audit Office

14 We analysed the year-end revenue balances data held by the Department for local authority maintained primary and secondary schools from 1999-2000 to 2009-10 to identify trends in:

- the total net surplus in primary and secondary schools;
- the proportions of primary and secondary schools in deficit; and
- the proportions of primary and secondary schools with excessive surpluses (those surpluses greater than 5 per cent of the current year's budget for secondary schools, and 8 per cent for primary schools).

15 We also analysed these data by local authority to identify how many of each individual authority's schools had been operating with a deficit or an excessive surplus over the above period, and for how many years.

Quantitative analysis

16 We analysed School Workforce Census and School Census data from 2002 to 2010 to identify trends in the numbers of school business managers and in the numbers of maintained nursery, primary and secondary schools. The School Workforce Census does not disclose the numbers of full-time equivalent school business managers in nursery and primary schools separately.

17 We analysed usage data for the Department's School Financial Benchmarking website to identify the extent to which schools in each local authority were using this tool. The income and expenditure data contained on this website is taken from the Consistent Financial Reporting returns from individual local authority maintained schools. Academies are free to determine their own cost centres, and do not feature in this dataset.

18 We analysed the Department's database of annual returns from local authorities detailing the progress of their schools in complying with the Financial Management Standard in Schools, at a national level and by local authority, to show the position as at March 2010, the deadline for compliance with this Standard.

On-line survey of schools

19 We posted an online survey for schools on the Department's Frontline Forum of 300 schools, which it uses to gather feedback from people working in schools and local authorities. Our aim was to gain an understanding of the issues schools face in delivering financial management and structured cost reduction. The survey ran for three weeks in June 2011, and ten primary and five secondary schools responded.

Case study visits

20 Between March and July 2011 we visited Manchester and West Sussex local authorities, and a primary and a secondary school in each authority (**Figure 3**), to gain an understanding of the financial issues schools and authorities were facing. We held detailed discussions with the local authorities' school finance and internal audit staff, and with the headteachers and school business managers/bursars at the schools. We also examined the authorities' schemes for financing schools and underlying financial regulations.

Figure 3

Schools visited

Manchester

St Joseph's RC Primary School, Longsight

St Matthew's RC High School, Moston

West Sussex

Buckingham Park Primary School, Shoreham-by-Sea

St Paul's Catholic College, Burgess Hill

Source: National Audit Office
