

# Improving Efficiency in Schools

## **Where we are**

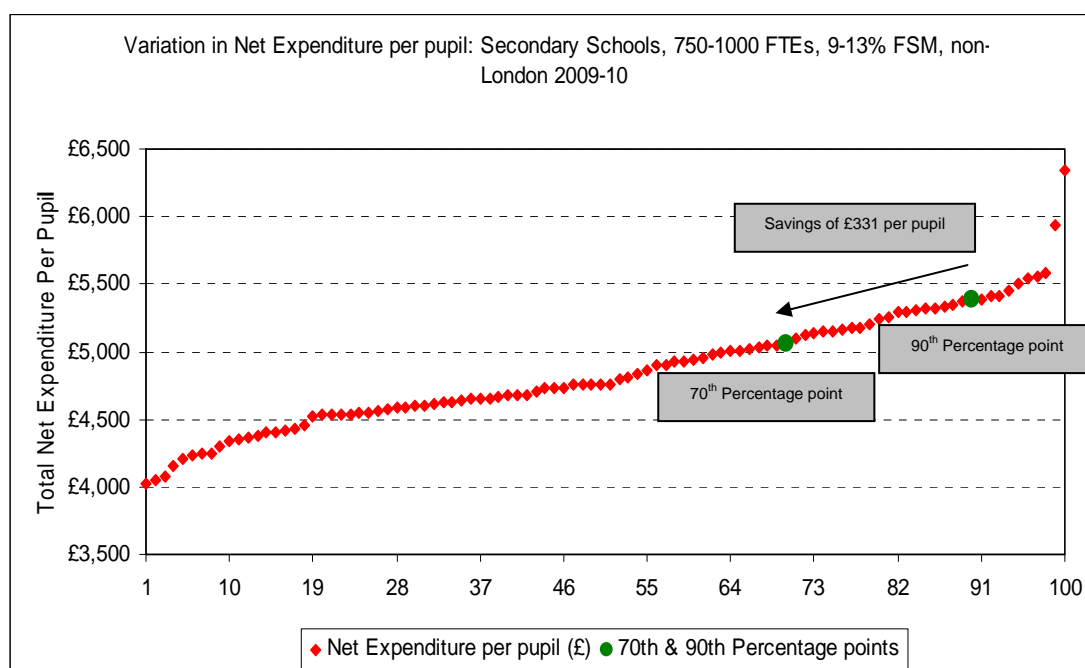
1. We want to promote growth, a fairer society and reform in public services. Alongside this, urgent action is needed to tackle the record budget deficit we have inherited – every day it costs almost £120 million just to pay the interest on the nation's debt.
2. As part of these priorities, the Coalition Government is committed to improving education funding for all. This is why the Spending Review increased funding for the schools budget by £3.6bn in cash terms by 2014-15 – protecting school funding at flat cash per pupil and introducing a £2.5bn pupil premium for disadvantaged children.
3. This is a generous settlement in the current climate, but the actual allocation each school receives will vary, depending on its circumstances. Some schools will have to make savings and every school should be committed to improving their efficiency, maximising their resources to invest in teaching and learning.
4. Schools spend a large amount of public money and how they spend it affects us all. In January 2011, for the first time, we published data on schools' expenditure in 2009-10 alongside attainment information. The data can be accessed at:  
<http://www.education.gov.uk/schools/adminandfinance/financialmanagement>.
5. This document provides information to help parents and the wider public use the newly available data on schools' expenditure to compare schools and hold their local schools to account for their spending. The following pages show that there is no direct correlation between schools spending more and their pupils achieving more. They set out the main areas of schools' spending, the range in expenditure between similar schools and examples of potential savings for different expenditure categories.
6. We want to prompt schools to look at how they can secure better value for money and prompt local communities to encourage their schools to spend more efficiently.

## **Expenditure and Attainment**

7. While many schools are already efficient, there are wide ranges of expenditure between similar schools with no correlation to attainment levels. Those spending more do not always do better. There are good reasons why some schools need to spend more than others including higher spending to meet the needs of deprived pupils and the local labour market.
8. But if we look at a group of schools with similar characteristics and similar pupil intakes we can see how much their expenditure levels vary. The following graph shows the per pupil expenditure level for 100 secondary schools which are all roughly the same size, with similar numbers of children on free school meals (a key indicator of deprivation) and are outside London,

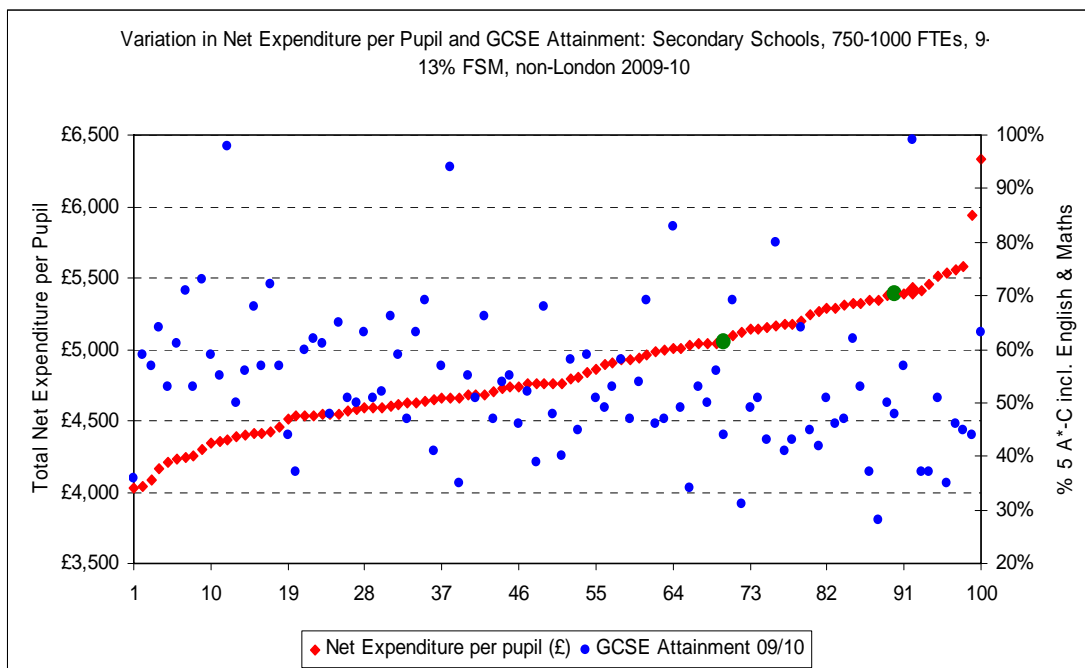
so they are unaffected by higher wage costs in the capital.<sup>1</sup>

9. This illustrates a large variation in expenditure between the schools; ranging from just over £4,000 per pupil to over £5,000. That's **more than a £1 million difference in spending for a school** with 1,000 pupils. And there are significant savings to be made, even if a school moderately reduced its expenditure. If the higher spending school illustrated in the graph (at position 90) came down to the level of the lower spending school (at position 70), they'd save £331 per pupil, or £289,294 overall (they had 874 pupils last year).



10. If we look at these schools' attainment, it is clear there is no direct link between higher spending and higher attainment. The following graph shows the same 100 schools, but also plots their exam performance (shown by the blue dots). If there was a direct link between the amount the schools spent per pupil and their performance, you would expect the blue dots to form a line following the red dots, but in fact there is no such pattern.

<sup>1</sup> Data taken from schools' CFR (Consistent Financial Reporting) returns for 2009-10 and 2009-10 attainment data. Throughout this document CFR data 2009-10 is used, apart from in the case study and where specified otherwise.



11. In fact, schools committed to continuously improving their efficiency often tell us that what they've done has had a positive impact on their pupils' performance. What matters isn't the amount of money spent per pupil, but how that money is spent. So we should all be focusing on improving value for money in schools' spending.

### Procurement

12. Procurement is a particularly important area for making efficiency savings in schools. Indeed, the Spending Review announcement said that schools could save as much as **£1bn through smarter procurement and back office spending**. This is a challenging but achievable target, equivalent to bringing those schools spending the most on these areas down to the level of the 75<sup>th</sup> percentile over the next four years. Or, to put it another way, if we take groups of similar schools and identify those spending in the top quarter on these areas, it is equivalent to reducing their spending to the highest amount that schools in the other three quarters of their group are spending.

13. Although schools spend most of their money on education staff, they collectively spend approximately £9.2bn on other areas. This covers a number of expenditure categories including learning resources, catering, back office/administration and energy. For some groups of staff, such as cleaning and catering, schools have the option to either employ staff directly or buy-in services. Therefore, when we look at schools' costs in these areas, we include staff costs. Significant savings can often be made in these areas, which can be reinvested in the school's priorities for teaching and learning.

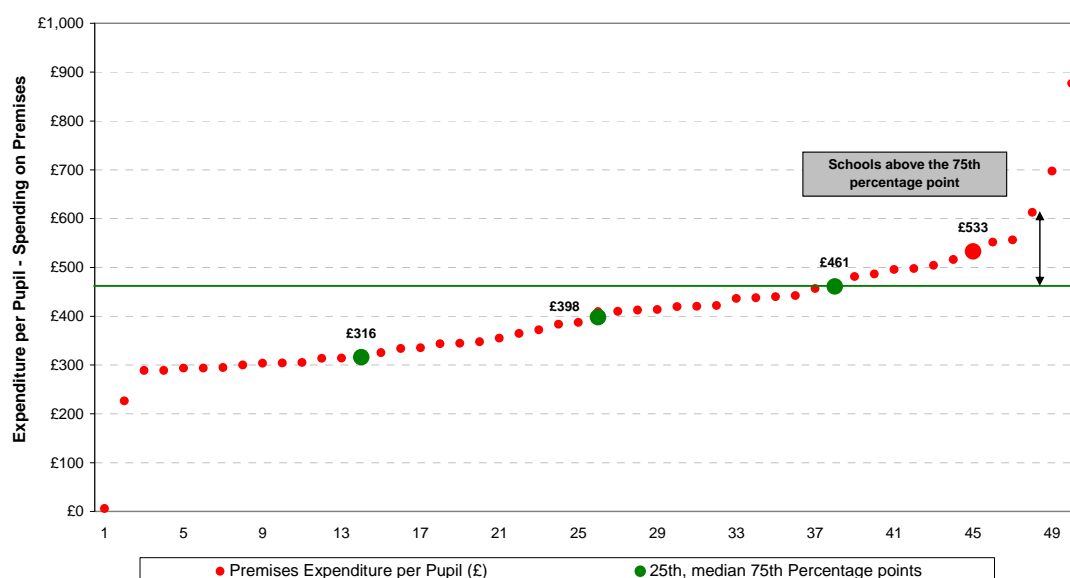
14. Schools often think their non-education staff spend is so low that they cannot see how they can improve how they spend this money and achieve savings. However, the range of spending between similar schools on various

procurement categories suggests that some are more efficient than others and there is significant scope for many to make savings.

## Premises

15. In 2009-10, schools spent around £2.1bn on premises, which includes buildings and grounds maintenance, cleaning and caretaking. If we take secondary schools outside London, all with a similar percentage of deprived pupils, and look at their spending on premises, there is considerable variety in their expenditure per pupil. Of course some schools have larger sites and/or older buildings, affecting the amount they need to spend on their premises, but the significant differences in premises spending cannot be explained fully by such factors.

Variation in Premises Expenditure per Pupil for schools with similar proportion of deprived pupils: non-London Secondary Schools, more than 35% FSM, 700 - 1000 FTEs, 2009-10



16. If a school spending at a very high level of £533 per pupil (so the school is spending at the 90<sup>th</sup> percentage point in this group) reduced their expenditure by just 14% to £461 (so they are spending at the 75<sup>th</sup> percentage point), they'd save £72 per pupil. In a 1000 pupil school, that would be **£72,000 they could invest on their teaching and learning priorities, just from more efficient spending on their premises.**

17. And if all 13 schools in this group spending above the 75<sup>th</sup> percentage level on premises reduced their spending to that level, collectively they'd save £1,038,408.

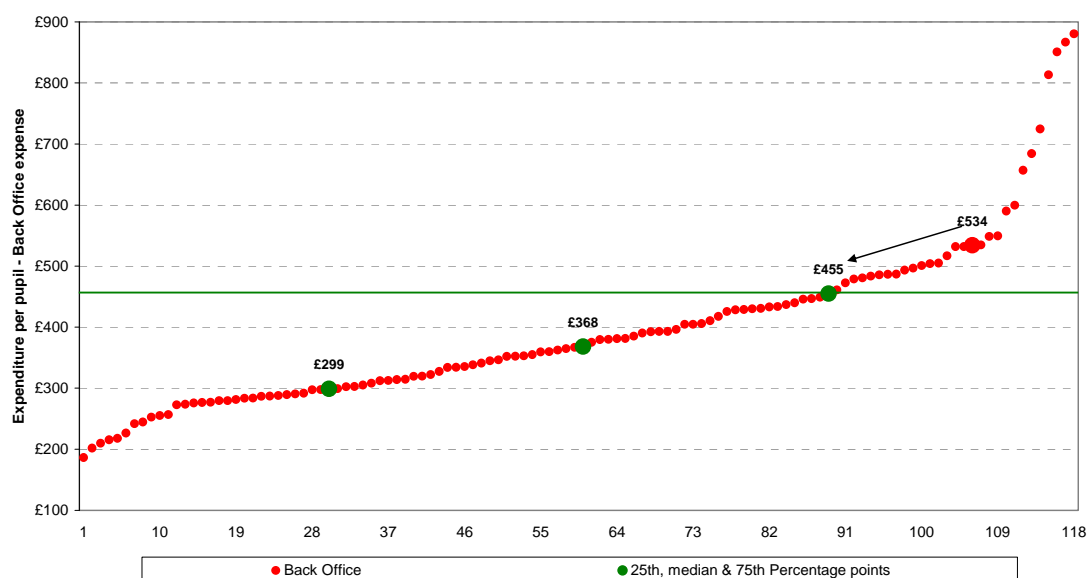
## Back Office

18. In 2009-10, primary and secondary schools spent around £2.6bn on administrative staff, administrative supplies and bought in professional services. Back office staff provide important support for their schools, enabling school leaders and teaching staff to focus on raising attainment and

improving standards. It is important that schools make the most of back office staff by ensuring they are appropriately skilled and effectively deployed.

19. The range of expenditure between similar schools demonstrates there is scope for schools to reduce their spending on administration. For example, if we take a group of primary schools in London, all with a similar proportion of deprived pupils, the variation in their back office spending is significant.

Variation in Back Office Expenditure per Pupil for schools with high proportion of deprived pupils: London  
Primary Schools, more than 35% FSM, 300 - 400 FTEs, 2009-10



20. If a school spending a very high amount on back office functions at £534 per pupil (so they are spending at the 90<sup>th</sup> percentage point) reduced their per pupil spend to £455 (the 75<sup>th</sup> percentage point) over four years they could make **average savings of £6,241 each year which they could invest in their teaching and learning priorities** (savings based on their current pupil numbers). This represents a total reduction of 15% over 4 years on back office spending.

On average, schools pay:

- 0.008p per black and white print – that’s double the average market price.
- 19.8p per colour print – that’s almost four times the average market price.

21. One area where schools often face excessive costs is the purchase of photocopiers or Multi Functional Devices. These contracts can end up costing schools more than they should if they are not fully aware of leasing issues and technology specifications.

### **Photocopier Lease**

One Essex primary school was faced with a huge bill when they renewed their photocopier lease - the existing contract was ‘rolled over’ (the previous outstanding balance was refinanced, compounding the interest and inflating the value of the lease).

The school was led to believe they had renegotiated a more favourable deal that would save them £400 a year when in fact the cost was extortionately high. The contract was renewed for an additional £18,500 and extended to a new five year term. The school would have ended up paying £25,000 over five years, when actually they could have leased a copier for just over £4,000.

And this situation is more common than you might think. There have been a number of cases recently where schools have signed up to inappropriate photocopier deals that are exceptionally expensive – ranging from £25,000 to £200,000 over five years.

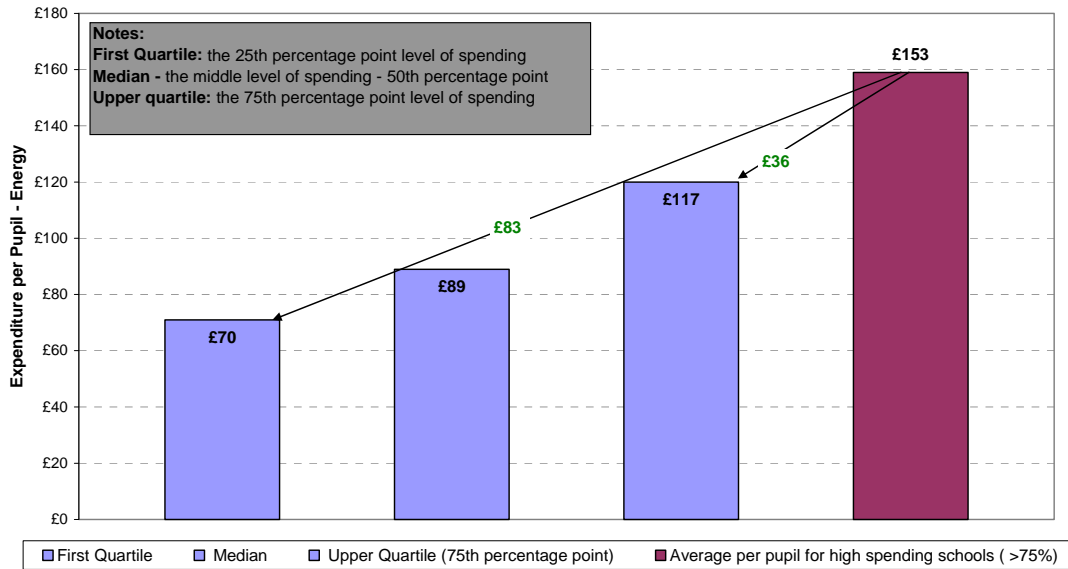
## ***Energy***

22. There are four important reasons for schools to focus on reducing energy use.

- **Energy is often one of the largest non-staff costs in a school.** The average cost per school is £27,000, although secondary schools are likely to have bills of over £80,000.
- **Schools are using more energy** and have been growing their consumption for the last twenty years.
- **Energy costs are rising.** English schools' expenditure on energy doubled between 2004 and 2009 and costs are set to rise further.
- **Schools can help to lower their carbon footprint** by reducing energy consumption and contribute to addressing climate change.

23. Some school buildings are more energy efficient than others, affecting a school's ability to cut costs. But huge disparities in energy use occur between schools, not all of which can be explained by this. The chart below illustrates the variation in energy spending for secondary schools in London. It sets out how much these schools are spending at the 25<sup>th</sup> percentage point for the group (£70), the median (£89), the 75<sup>th</sup> percentage point (£117) and then the average spending for those in the top 25% (£153). If all schools in the group spending the most reduced their spending to the 75<sup>th</sup> percentage point, they'd save on average £36 per pupil. For a 1,000 pupil school, that's a saving of £36,000.

Variation in Energy Expenditure per Pupil: Showing the potential savings to be made if the top spending schools are reduced to the 75th percentage point level of per pupil expenditure for Secondary Schools, London 2009-10



24. If all schools spending above the 75<sup>th</sup> percentage point on energy reduced their spending to that level over four years, **nationally we'd save approximately £40m.**

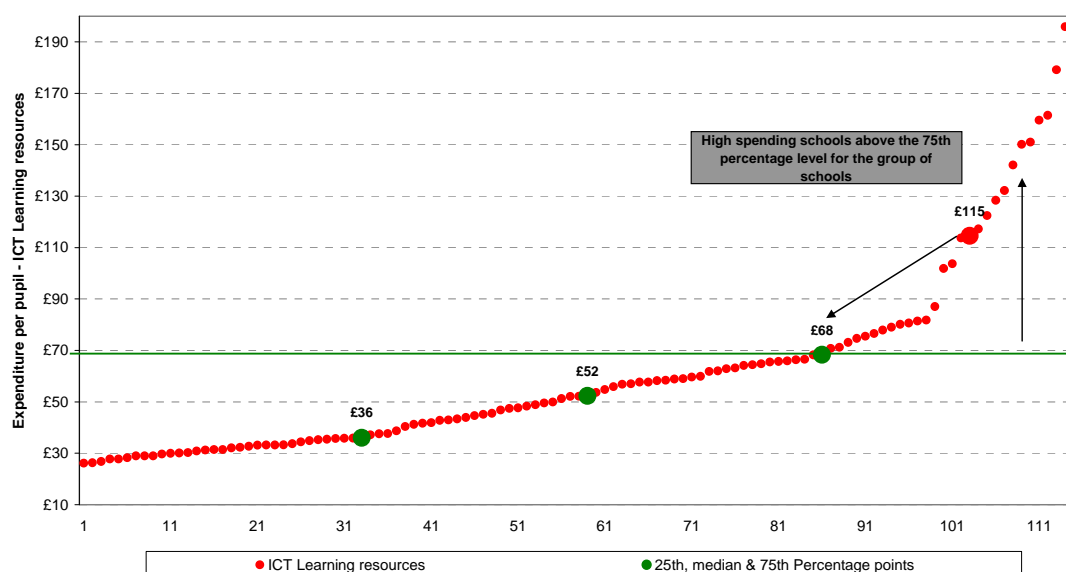
### **ICT Learning Resources**

25. In 2009-10 schools spent approximately £400m on ICT learning resources including educational software and broadband costs. It is important that schools spend provide high quality resources for their pupils, and that they are purchasing the best value products available. The considerable range spending on ICT learning resources between similar schools suggests that some schools could make savings by purchasing more efficiently.

26. For example, if we take a group of primary schools outside of London, all with a similar proportion of deprived pupils, the variation in their spending on ICT learning resources is considerable.



Variation in ICT Learning Resources Expenditure per Pupil for schools with relatively low proportion of deprived pupils: non-London Primary Schools, 8% - 20% FSM, 200 - 250 FTEs, 2009-10



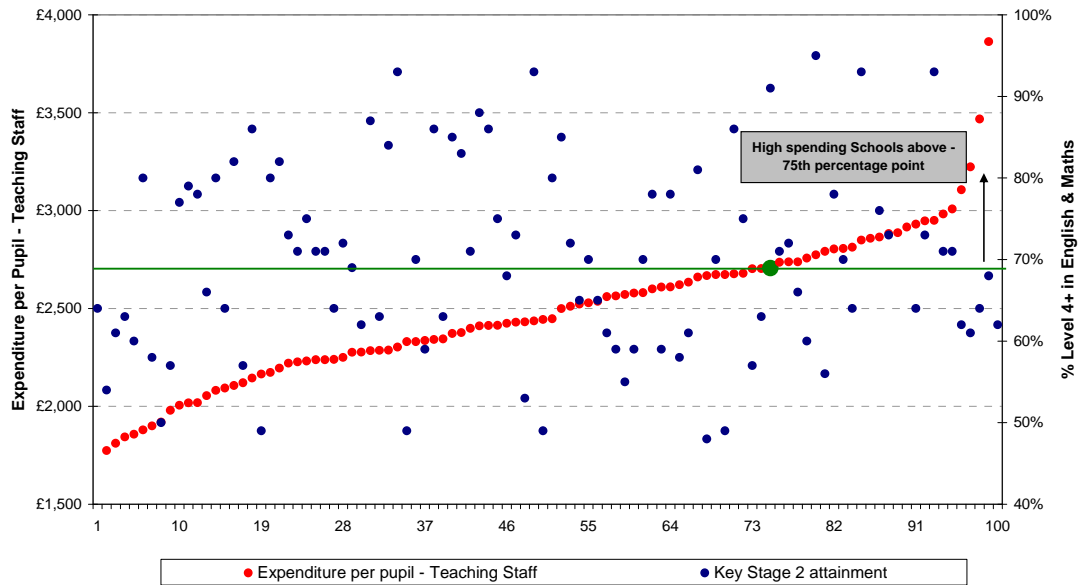
27. If a school spending at the very high level of £115 per pupil (spending at the 90<sup>th</sup> percentage point) reduced their spending to £68 (spending at the 75<sup>th</sup> percentage point), they'd save £47 per pupil. This school had 204 pupils last year, so this could give them **an additional £9,588 to spend on their teaching and learning priorities which could include purchasing more resources for their pupils.**

### Making the Most of School Staff

28. It is the people who work in schools who make the biggest contribution to children's experience and what they can achieve. Schools will want to preserve as much of their funding as possible for investment in their workforce, but also to ensure that they are deploying and developing people in ways which offer most value. About 70% of schools' spending is on education staff but our analysis suggests that although there are wide variations between schools spending on teachers and education support staff, there doesn't seem to be any pattern between this spending and a school's Ofsted rating or their pupils' attainment.

29. As an example, if we take a group of similar primary schools in London, we can see there's no correlation between their spending on teachers and their pupils' attainment.

Variation in Expenditure per Pupil and Key Stage 2 attainment: London Primary Schools, 350 - 450 FTEs, High deprivation - more than 35% FSM, 2009-10



30. Whatever group of schools we look at, whether primary or secondary, in London or outside, all show a considerable range of expenditure on education staff. Research looking at support staff specifically shows that their effectiveness is very dependent on how they are deployed.<sup>2</sup> All of this suggests at the broadest level that schools may be able to operate more efficiently by changing how they employ and deploy their staff, without detriment to the quality of teaching.

### Support Available

31. It's not for the Government to dictate how schools should spend every penny of their budget. Individual schools and their local communities know much better how schools should be spending to support improved attainment for all their pupils.

32. But it is our role to equip schools with information and tools to secure the best value for money and the savings they need. The **DfE website** provides a wide range of information and online tools for improving schools' efficiency, and links to support available elsewhere – <http://www.education.gov.uk/schools/adminandfinance/financialmanagement/b0069984/vfm/>.

<sup>2</sup> *Deployment and Impact of support staff project*, Research Report No. DCSF-RR154; Blatchford, Peter; Bassett, Paul; Brown, Penelope; Martin, Clare; Russell, Anthony; and Webster, Rob; Institute of Education, University of London; Aug 2009; research brief DCSF-RB148 available at: <http://publications.education.gov.uk>.