

Autumn 2017 Budget Representation

A report compiled for HM Treasury by NAHT

Introduction

1. NAHT welcomes the opportunity to make this representation to the HM Treasury (HMT). As the UK's largest professional association for school leaders, we represent more than 29,000 school leaders in early years, primary, special and secondary schools and academies; independent schools; sixth form and FE colleges; outdoor education centres; pupil referral units, social services establishments and other educational settings, across England, Wales and Northern Ireland.
2. In addition to the representation, advice and training that we provide for existing senior leaders, we also support, develop and represent the senior leaders of the future through NAHT Edge, the middle leadership section of our association. The school leaders in our membership mean that we are close to the issues that they are facing in managing schools and their budgets.
3. We are therefore making this submission to highlight to HMT that school funding is currently at breaking point, battered by the impact of government policies that have resulted in real terms cuts in education funding estimated to rise to £3 billion by 2020. The impact of those cuts on school budgets threatens the educational improvements that have been secured in recent years and this submission urges HMT to make funding available in this year's Autumn Budget to protect these improvements.

What has caused the crisis in school funding?

4. In the November 2015 Spending Review, the Government pledged that the core schools budget would be protected in real terms over the Spending Review period, and that per pupil funding levels would be maintained in cash terms. Funding for the pupil premium would also be protected in cash terms, but further savings of £600 million would be made from the Education Services Grant (ESG)
5. On 14 December 2016, the National Audit Office (NAO) published a report on the [financial sustainability of schools in](#)

[England](#). This said that mainstream schools would need to find £3 billion of efficiency savings by 2019-20. This equated to a net real-terms reduction in per-pupil funding of around 8% for mainstream schools between 2014-15 and 2019-20. The NAO reported that: *“The overall schools budget is protected in real terms between 2015-16 and 2019-20, but this does not provide for funding per pupil to increase in line with inflation. This is partly because pupil numbers will rise significantly over the same period, and partly because schools are facing cumulative cost pressures from things such as pay rises, increased pension and national insurance contributions, and inflation.”*

6. This confirms the evidence from our own members that the school funding crisis is a direct result of government policies that have increased costs for schools at a time when school budgets were only protected in cash terms. This included:
 - a. The biggest impact, and the reason why April 2015 was the turning point, resulted from increases in the cost of employer’s contributions to national insurance and pensions of over 5.5%. With 80% of school budgets typically made up of salary costs, this had an enormous impact.
 - b. The cuts to the Education Services Grant to local reduced funding for school services, such as HR and facilities management, by £600 million. The obligation to fund these services has transferred to individual schools and academies putting further pressure on school budgets – this was not a DfE budget saving, this was shifting the cost to schools.
 - c. The costs of annual pay awards for teaching and support staff, however minimal, have been unfunded in school budgets since 2010 and have contributed to eroding budgets.
 - d. The Apprenticeship Levy came into effect in April 2017 and whilst only just over 1% of employers nationally have to pay this, the way that the government are implementing this means that nearly all maintained schools and most academies will have to pay an extra 0.5% levy on their payroll costs.
 - e. The impact of austerity cuts to health and social care services have meant that schools have had to fund interventions to support their most vulnerable pupils as local authority and

health services were no longer available. Additional costs have grown for schools to provide counseling and therapy; speech therapy; educational psychologists etc, but without those interventions, children are simply unable to learn.

7. Furthermore, the growing struggle to recruit and retain teachers has also created a recruitment crisis in schools, and schools are having to pay higher salaries to compete in this market in crisis. The Independent School Teacher's Review Body [latest report](#) into the teaching profession paints an accurate and very bleak picture of a profession in crisis. They report that: "*Our analysis of earnings shows that average starting salaries and profession wide earnings remain considerably lower for teaching than for other graduate professions*" at the same time as employer demand for graduates more widely continues to grow, and it is no surprise, therefore, that the government's own targets for Initial Teacher Training (ITT) have been missed for a fifth successive year.
8. The time has come for the government to invest in education to ensure that the best professionals can be attracted and stay in the profession. The pay cap for teachers and school staff needs to end and a revaluation of pay in the profession needs to take place. School budgets cannot accommodate pay increases but without them, we will struggle to get sufficient teachers in front of children.
9. The government's response to these costs and reports of a growing crisis was initially to point to the increase in the overall budget in the 2015 Spending Review, but this is disingenuous as that increase is purely intended to meet the significant growth in pupil numbers. The DfE's own predictions are that the number of pupils will rise by 3.9% (174,000) in primary schools and by 10.3% (284,000) in secondary schools by 2019.

Evidence of the school funding crisis

10. NAHT were the first to raise the alarm as the pressure on school funding deepened and our members reported the struggle to make budgets balance. Our ['Breaking Point' survey in the autumn of 2015](#) found that 64% of our members had only been able to balance their budget only by making significant cuts or dipping into reserves, whilst 8% had already reached a deficit budget.

11. When we reran the [survey last autumn](#), the situation had worsened and the number of schools in deficit had more than doubled since the 2015 survey, increasing by 10 percentage points from 8% to 18% of respondents and reflecting the seriousness of the funding situation. Similarly, the number of schools who were only able to balance their budget by making cuts or using reserves increased to 71% in 2016. Even more worrying, when we asked members whether they foresaw a year by when their budget would be unsustainable, 72% of respondents thought that their budget would be untenable by 2019/20.
12. NAHT's own voice has also been amplified as the weight of independent evidence of the funding crisis has grown. In December 2016, the National Audit Office's report into "[The financial sustainability of schools](#)" reported the £3 billion black hole in school funding, representing a real terms cut of 8% by 2020, and also expressed scepticism as to the government's plans to fill that.
13. On 27 February 2017, the Institute for Fiscal Studies (IFS) published a report, into [Long-run comparisons of spending per pupil across different stages of education](#). On the IFS's measure, and taking into account 2015 Government spending plans, per-pupil spending on 5-16 year olds was expected to fall by around 6.5% in real terms between 2015-16 and 2019-20. This would be the "*biggest real-terms fall in school spending per pupil for at least the last 30 years.*"

Government strategy

14. Over 2017, parents and pupils started to appreciate the full extent of the crisis as schools increasingly had to announce cuts to staffing, reductions in the subjects taught as part of the school curriculum, increases in class sizes and an end to enrichment activities. Concerned about their children's future, parent campaigns like that of [Fair Funding for All](#) joined their voices to those of the unions and professional associations to fight for the education of the nation's children.
15. As the campaign developed, the general public and the media began to understand that school budgets were under severe pressure and that the funding settlement for schools had to be increased. This meant that by the time of the general election, an estimated 800,000 voters

reported that the issue of school funding was a deciding factor in their decision on which party to vote for.

16. In recognition of this, the DfE dug deep, reprioritising funding to pledge an additional £400,000 for 2018/19 and £900,000 in 2019/20 to plug the funding gap. NAHT welcomed this as a step in the right direction, but our own estimates are that in the light of growing pupil numbers and the GDP deflator published by the Office of Budget Responsibility to estimate general inflation over the period 2015-16 to 2019-20, schools will need at least an additional £2 billion a year to retain the same level of funding in real terms as they received in 2015/16.
17. However, this is without allowing additional funding to review pay levels in the teaching profession, without which, as we have outlined above, our ability to attract and retain teachers will continue to plummet.
18. The DfE's central strategy to address the real terms cuts in funding is to focus on achieving efficiency savings of £3 billion in schools by 2020: through better procurement (estimated savings of £1.3 billion) and by using their staff more efficiently (the balance of £1.7 billion). The National Audit Office's report into "[The financial sustainability of schools](#)" expressed scepticism and reported that the DfE did not really understand whether those savings could actually be achieved. Ten months on, little progress has been made in the DfE's plans to support schools to secure such efficiencies. The plans set out in their Schools Buying Strategy published in January have still not been delivered and the sector has seen little support from the DfE to achieve further savings.
19. However, the impact of the real terms cuts to school funding have meant that schools have already scrutinised, reviewed and cut many budget areas to achieve savings. The reality of school budgets is that 80% are made up of staffing costs, and cuts to staffing costs, including those we have seen this year, cannot be achieved without a significant impact on the education of pupils. The vast majority of schools have had little choice but to secure every efficiency they can find over the last few years but that option is now almost used up – cuts are starting to have a real impact on the education that schools can offer and some of those cannot be sustained long term. Schools need additional funding to reverse some of those short term cuts.

Funding is needed now to protect education

20. We set out in an Appendix to this submission the situation that our members are facing by highlighting the experiences of a few that represent the many. These, and the evidence of the crisis that we have set out above, highlight the scale of the funding crisis in schools and why we are urging the Chancellor to provide funding to protect our world class education.

21. This is essential as without this, nearly 72% of our members have no idea how their school can stay open beyond the 2019/20 school year – in two years' time. The Treasury must review the evidence of the funding crisis in schools. The evidence from school leaders, from school governors and trustees, and from parents. The Chancellor must make a commitment to secure the future of our education system.

Appendix - Experiences of NAHT members

One secondary school leader from East Sussex has said that his school's playing fields are now unsuitable for sport because he cannot afford to get the grass cut regularly. The school will consider whether it can afford to keep the community bus running, and already classes are getting larger, textbooks are not being replaced and leaking classrooms are not being repaired. The school have had to start using primary school furniture in order to fit more pupils into fewer classrooms because some areas are not fit to use and there is no money to pay for repairs.

A primary head teacher from Manchester has said: "Looking to the future and the cut in funding to Manchester after 2020, we would have to make all of our Teaching Assistants redundant, other than those that are funded from High Needs for children on Educational Healthcare Plans. 90% of my children never hear a bedtime story, never see an adult read for pleasure and have never visited the local library. We used to be able to make up for some of these disadvantages, now that is no longer the case."

Another head of a primary school in Carlisle said, "My own children go to the school where I'm the head. I was faced with a situation where I had to make the teaching assistant in my own son's class redundant because of the cuts to my budget. At the end of last year, I had to let the caretaker go. Now I do his job as well as my own. I came in over the summer holidays to paint the classrooms myself."

A head of a primary school in Stockport said: "In Stockport the picture is the same, with dwindling human resources, learning resources and a reduction in opportunities for professional development. We are seeing the impact of poor schools funding now. We aren't talking about tomorrow, but now. The financial status of schools now has the potential to have a disastrous effect on the life chances for children now and for years to come. We are losing over 30% of our Newly Qualified Teachers within 5 years of starting. We have had a turnover of 50% of our head teachers in Stockport in the same time scale. We are in crisis now. We need financial support now."

A survey of primary heads in Stockport in May 2017 found that

- All schools have made significant cuts to their work force as a result of increasing costs to maintain staffing. This has usually been through not replacing staff as they leave and additional duties attaching to existing staff.
- 90% indicated that their budget planning tool is showing an in year deficit.
- HTs indicated that they were now doing more supply type cover themselves as a result of reducing budgets and that this was impacting considerably on work life balance.
- Extra- curricular clubs have been reduced.
- At secondary level, subject choice and opportunity have been reduced in line with staffing costs and recruitment issues.
- Where schools have PTA arrangements, this is supporting major initiatives in school such as outdoor learning, furniture and maintenance and repairs.
- 80% of returns indicated that resources purchased were at most basic with some schools indicating that resources were supplemented by parents (stationery for example).
- 50% of returns indicated that educational visits were now no longer subsidised to support parents and that fewer visits are planned in line with families and austerity measures generally.
- Secondary colleagues and a small number of primary returns indicated larger class sizes.
- Greater pressures on staff members has resulted in a larger number of staff absences that are stress related and this absence has impacted on supply costs and cover arrangements. The impact of this has seen an increase in many schools of longer term absences, an increase in release sessions to attend counselling during school time and an increase in support allocated (at additional costs) to colleagues.
- School buildings were no longer being prioritised for maintenance as school budgets were not able to cover costs. Worryingly, several HTs reported that essential maintenance was no longer affordable and that the health and safety concerns of some school buildings were adding to additional stresses for senior leaders.

A primary school business leader from Blackpool reported:

In 2016

- 1 member of Office Staff left the school and was not replaced – her duties were redistributed between existing staff with no extra hours or increased pay given
- 4 temporary Teaching Assistant contracts were not renewed and a further 2 Teaching Assistants were made redundant
- We discontinued our weekly speech & language therapy visits – these were so important as a number of our new Reception children every year struggle to make even the most basic of sounds
- Our Assistant Headteacher left the school and her responsibilities were reallocated to a range of existing staff
- We reduced our over-all Cleaning team hours
- Cut down our staff training budget
- Continued the reduction on printing and curriculum resources

This year

- Our Site Supervisor left the school and was replaced with a Site Supervisor on fewer hours (37 per week down to 32)
- 2 Teaching Assistants' hours were reduced and another Teaching Assistant came to the end of her temporary contract and was not replaced.

She added: “As well as all of these things, we regularly review our service contracts and suppliers to ensure we get best value. Despite all of this, we have still had to use some of our reserves each year in order to balance the budget. These reserves will run out next year.”

“According to our 5 year budget projection, if funding continues as it is currently planned to, by the financial year 2021-22 we will have a deficit of just under £300,000. This figure represents approximately 17% of our total funding. Of course, we would never be allowed to end up with a deficit of this size so what do we do next to try to cut costs even further?”

“Maybe we close the school at lunchtimes and insist that all children are collected for this hour so we don't need any lunchtime staff? This would save £31,000 – a drop in the ocean.”

“How about getting rid of all our teaching assistants? This would save about £160,000 which gets us a lot closer to the goal ... but we're not there yet. So, how about we increase class sizes in Key Stage 2 from 30 to 40? That would mean we could decrease the number of teachers we need, saving a further £100,000.”