

## NAHT submission to the Education Select Committee inquiry into school and college funding

1. NAHT welcomes the opportunity to respond to the call for written submissions to the inquiry intended to inform the DfE's bid for funding for schools and colleges.
2. NAHT is the UK's largest professional association for school leaders. We represent more than 29,000 head teachers, executive heads, CEOs, deputy and assistant heads, vice principals and school business leaders. Our members work across: the early years; in primary, special and secondary schools; 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. We also support, develop and represent the senior leaders of the future, through NAHT Edge, the middle leadership section of our association. We use our voice at the highest levels of government to influence policy for the benefit of leaders and learners everywhere.

### School Funding in Crisis

3. The school funding crisis is today the biggest area of concern for school and college leaders – it makes them fear for the future of their pupils and their educational provision. Most already feel that they have done everything to make budgets balance: cut staffing levels; improved their procurement practice; reviewed class sizes and curriculum; deferred all but the most critical repairs to their buildings and slashed investment in training and professional development. They have run out of options – without an injection of funding into the sector, our recent survey of school leaders found that 71% are expecting to have to set a deficit budget in the next financial year and almost four fifths (79%) are expecting a deficit budget for the following year 2019/20.
4. Our [Breaking Point survey](#) of school leaders builds on the bleak picture from last [year's report](#) and that of the previous years as evidence of the developing crisis. This year's survey shows that:
  - More than a fifth (21%) of respondents said that their budget for 2017/18 was in deficit; a 13 percentage point increase since 2015.
  - Only 8% of respondents said that they did not foresee a year where they would have an untenable deficit.

- More than four fifths (86%) of respondents have reduced the hours or numbers of teaching assistants to make their 2017/18 budget balance. This figure was 49% in 2015.
  - More than a third (37%) of respondents said they have had to reduce the number or hours of teaching staff
  - Almost two thirds (65%) of respondents said that they strongly agreed that the reductions they have had to make have resulted in a negative impact on the performance of the school.
5. The influential Education Policy Institute published their own report on '[School Funding Pressures in England](#)' in March of this year, reflecting the findings from our own survey that
- Over the four years up to the end of the last financial year, the proportion of local authority maintained secondary schools in deficit nearly trebled – from 8.8 per cent in 2013-14 to 26.1 per cent in 2016-17.
  - Over two-thirds of local authority maintained secondary schools spent more than their income in 2016-17, while 40 per cent had done so for at least two years.
  - For local authority maintained primary schools, 60 per cent had spent more than their income in 2016-17. A quarter had a falling balance for two years or more.
  - Around 2 in 5 state-funded mainstream schools (around 7,500 schools) are unlikely to receive sufficient additional funding in 2018-19 to meet the single cost pressure of a 1 per cent pay settlement. This rises to nearly half in 2019-20 (close to 9,000 schools).
  - Expecting schools to meet the cost of annual pay increases from a combination of core government funding and their reserves does not, for many schools, look feasible even in the short term. So far schools have taken various measures to reduce costs, such as switching suppliers, reducing energy usage and reducing the size of leadership teams. However, as around two-thirds of school spending is on education staff, schools are unlikely to be able to achieve the scale of savings necessary without also cutting staff.
6. The EPI's data on maintained schools followed an equally worrying report from Kreston UK, a firm of chartered accountants. Their [Academies Benchmark Report 2018](#) based on findings from auditing over 750 academies found that 55% of academies recorded a deficit in the last fiscal year. This is not the only evidence that the crisis is also affecting academies; in January, when addressing the Public Accounts Committee, the Permanent Secretary to the DfE stated that it was his expectation that more academies would go into deficit.

7. All our evidence is of an education system in the grip of a funding crisis. The £1.3 billion announced by the Secretary of State Justine Greening last summer was helpful, but it failed to make up for the real terms cuts to education budgets since April 2015. Working with other teaching trade unions in the School Cuts campaign, the analysis is that [there is still a £2.8 billion shortfall by 2020 compared to 2015](#), driven by the real terms cuts that the sector has experienced since 2015 including:
  - Increases of over 5.5% of payroll costs year on year since 2015 for increased national insurance and employer pension contributions;
  - Additional payroll burden of 0.5% for the apprenticeship levy since April 2017 – a levy that the evidence already shows will be difficult for schools to recoup. NAHT recommends that schools should be exempt from the levy entirely to avoid the perverse situation where schools seem to be subsidising large commercial operations.
  - Unfunded pay increases.
  - Cuts to local authority Education Services Grant and health and social care budgets that have shifted the burden to schools.
  
8. Whilst we welcome the move towards a higher National Living Wage for our lowest paid support staff and we critically need a much greater uplift to the pay of teachers and school leaders if we are to recruit and retain them in the profession, these further increases in cost, and the prospect of further increases to the employers' pension contributions will take the nation's schools beyond breaking point if they are not met by additional funding from the government
  
9. Cost pressures are rising. The cuts to health and social care budgets, particularly for children's mental health services mean that schools are being left to fund this provision themselves. In this years' [Breaking Point](#) report, when we asked respondents which factors has caused the most financial pressure, supporting children with additional needs received the highest response, with more than a quarter (28%) of respondents selecting this factor. Schools are finding it increasingly difficult to access the support that some children need to help with their learning, at the same time as schools have had to make cuts to the support and pastoral staff that used to support those children with additional needs.
  
10. The recent joint report following the inquiry by the Education and Health and Social Care Committees on [The Government's Green Paper on mental health: failing a generation](#), to which NAHT submitted both written and oral evidence, is a reflection of this crisis and the unacceptable impact on our children and young people with mental health issues. The dearth of CAHMS support leaves children and young people distressed and desperate and

schools having to plug the gaps to support their learning at the very same time that cuts to schools' own resources make that increasingly impossible.

11. This impact on our pupils with mental health difficulties reflect the clear feedback from our members that it is our most vulnerable pupils that are being hit the hardest by our school funding crisis. Both NAHT members and local authorities are reporting increasing pressure on the high needs budget, including:
  - NAHT members reporting that the top up funding levels have been cut in both mainstream and special schools, both at an individual pupil level and by raising the local authority top up funding 'band' thresholds and funding amounts.
  - A number of LAs reported deficit high needs budgets in 2017/18 and sought to top slice school budgets to offset the funding shortfall.
  - For 2018/19, local authorities are permitted to shift up to 0.5% from the Schools Block budget with the agreement of the schools forum to offset the pressures. On average this will enable LAs to increase their high needs block by a further 3%. Where the schools forum has not agreed to the top slice or the proposed level exceeds 0.5%, the matter has been referred to the DfE to adjudicate and this has happened in a significant number of local authorities (LAs), confirming that the high needs budget is deemed insufficient in many LAs.
  
12. The level of concern led us to undertake a detailed analysis of the impact of the school funding crisis on children and young people with special educational needs and disabilities. On the 4<sup>th</sup> of May, we published our [Analysis of High Needs Funding](#) that investigated the drivers for the current funding for high needs pupils. This found evidence that there is both increased pressure on the costs per pupil to support pupils with high needs and increased demand for support for children and young people with the most complex special educational needs. We concluded that the Chancellor must recognise the growing shortfall if we are to avoid our most vulnerable pupils missing out on the education that can allow them to realise their potential.
  
13. NAHT also shares serious concerns about funding for key stage 5, as evidenced by the Sixth Form Colleges Association, whose October 2017 survey of 341 school and college leaders revealed young people studying fewer subjects, in larger classes, with less teaching time and with big reductions in student support services.
  - Over a third of schools and colleges (34%) have dropped STEM (Science, Technology, Engineering and Maths) courses.

- 50% of schools and colleges have dropped courses in modern foreign languages as a result of funding pressures, with A' levels in German, French and Spanish the main casualties.
  - Two thirds of schools and colleges (67%) have reduced student support services or extra-curricular activities – with significant cuts to mental health support, employability skills and careers advice.
  - 67% of schools and colleges strongly disagree or disagree that the amount of 16-19 funding that they will be allocated in 2018/19 will be sufficient to provide students with the personal support they require to progress to higher education and/or employment.
  - Almost three quarters (72%) do not believe the amount of funding they will receive next year will be sufficient to provide the support required by students that are educationally or economically disadvantaged.
  - Students in both schools and colleges are affected by the underfunding of sixth form education, and there is a knock-on effect on younger children - many schools in the survey reported that their sixth form is being cross-subsidised with the funding for 11 to 16 education.
14. We need to consider that one clear consequence of reducing investment in STEM and foreign languages is that in a post Brexit future, we will have fewer linguists, adding to our isolation from European and world partners and our ability to drive STEM industry in the future will inevitably be seriously impaired by the lack of properly educated graduates.
15. In February 2017, the Institute for Fiscal Studies published their [Long-Run Comparisons of Spending per Pupil across Different Stages of Education](#) that also reported on the crisis in sixth form funding as *“Spending on sixth forms and further education..... has been continually squeezed. Spending per pupil in school is set to be at least 70% higher in 2020 than it was in 1990. Spending per pupil in sixth forms and FE is set to be no higher at all than it was in 1990”*
16. Finally and perhaps most importantly are the funding issues facing early years education, the education phase that can make the greatest difference to allowing the most disadvantaged pupils to reach their full potential. The government created a national funding formula for the early years from April 2017, setting out one common early years rate in each local authority for PVI's and nursery classes, based on a view that :
- a. Private, Voluntary and Independent childcare settings (PVI's) have lower staffing costs for unqualified staff but higher fixed costs as they are smaller than primary schools
  - b. And primary schools have higher staffing costs for teachers but can spread fixed costs across a whole primary school.

17. NAHT recently surveyed our members on the implementation of the new 30 hours free childcare policy introduced by the government in April 2017. Our report ['30 hours: policy into practice'](#) summarises our key findings, but includes the stark statistic that only 19% of those schools delivering the 30 hours of free early years education found that the funding rate was sufficient to cover their costs. 70% of those whose costs were not covered had to cross subsidise their early years provision from the rest of their school budget. This is a clear indication that despite the increase in early years funding introduced in 2017, the rates are still not sufficient to deliver early years education in schools. Those representing the private childcare sector are also reporting similar concerns about the same funding rates.
18. Those facing the greatest challenges with early years funding are the 402 remaining maintained nursery schools. They face the highest cost of provision with highly qualified staff working in smaller settings, so have a double whammy of high staffing and fixed costs. Yet their role in early years education is critical, particularly in the light of their greater impact on closing the attainment gap, especially in deprived areas. The DfE therefore initially proposed to provide an additional £56 million to support them for the first two years of the new early years formula, but eventually agreed to extend this to March 2020, the end of the comprehensive spending review.
19. The £56 million was intended to retain the 2016/17 funding levels but this approach retained the extreme variation in funding for nursery schools so that many are still seriously at risk. If we are to retain this high quality provision, we need a long term commitment to their funding and a national formula that creates parity and consistency across the country. But also a national funding formula that recognises that nursery provision in schools should be funded in the same way as school provision: nursery classes in primary school have the same needs as other primary classes and it is anomalous that they are funded on an hourly rate basis. Maintained nursery schools are schools, run by a head teacher and the learning is led by teachers – there is no case for them to be funded on a different basis than primary schools,
20. Without a basic adequate level of funding for early years, the policy and promise of pupil premium and the government's commitment to social mobility sounds hollow. Instead of allocating £50 million to the expansion of grammar schools, a government committed to social mobility could have secured another year of funding for maintained nursery schools. Similarly putting money into pupil premium when the “disadvantaged” early years horse has bolted seems to put the cart before the horse.

**What the Department for Education's priorities should be for the next Spending Review period as they relate to schools and colleges**

21. As set out above, NAHT's view is that we need a significant increase in funding across all phases of education and to meet the needs of pupils with SEND. Without this, we believe that the educational progress achieved over the last few years is seriously at risk.

### **The effectiveness of targeted funding such as the pupil premium, and its relationship to core education funding**

22. There is no doubt that the pupil premium has been transformative for the education system, and we believe that it has a critical and specific role to play. When the national funding formula and its deprivation factors were being developed, we maintained that, whilst deprivation funding within the formula factors addresses the structural and staffing issues facing a school with high levels of deprivation, the pupil premium funding is focused on the individual needs of each pupil. The pupil premium allows schools to truly tailor interventions and support to a child's, not just a group of children's, needs.
23. The evidence that this policy has been a success is clear: the gap between disadvantaged pupils and others, measured using the disadvantage gap index, has decreased in each of the last six years, narrowing by 1.3% in the latest year and 10.5% since 2011. [The national pupil database](#) shows that, as well as more disadvantaged pupils reaching the expected standard in 2017, the average position of disadvantaged and other pupils in the attainment distribution has become closer together.
24. Evaluations of how pupil premium is deployed are limited but the Sutton Trust and the Educational Endowment Foundation's July 2015 [report into the pupil premium](#) makes a significant contribution to the debate. Whilst they identified some challenges and areas for improvement in how schools deploy their pupil premium interventions and the evidence base for the effectiveness of interventions, they nevertheless concluded by recommending:
- *Continued support for the pupil premium, to improve attainment for disadvantaged pupils, seeing it as a key lever to raise the attainment of disadvantaged pupils.*
  - *It is important that the premium is paid for all disadvantaged pupils, without discrimination between low and high attainers. An alternative approach would work against social mobility. It would also send perverse signals to successful schools. Recent Sutton Trust research has shown that disadvantaged but bright pupils fall behind at school, and it is important that schools use their premium funding where appropriate to provide stretching lessons*

*for able disadvantaged pupils as well as helping low attainers to make good progress. This is also particularly important in improving later access to higher education.*

NAHT has taken the position over a number of years that pupils eligible for the Pupil Premium should be automatically registered rather than relying on their parents to step forward or schools to chase them. Too many young people are missing out on this entitlement because of the taboos and unfriendly bureaucracy associated with this issue.

25. Recognising that the pupil premium is a critical resource to close the attainment gap, it does not make sense that it be set at £300 for each eligible pupil in the early years but £1,320 for each eligible primary pupil. There is a [wealth of evidence](#) (including this from the EEF) that early intervention makes the greatest difference in closing the gap for disadvantaged pupils, and it is therefore critical that the pupil premium in the early years be set at the same level as in primary. The government's stated commitment to social mobility relies on intervening as early as possible in a child's life, and it is NAHT's view that the funding allocated to the expansion of grammar schools, that prioritise the social mobility of the very few over the very many, would be better spent on increasing investment in the early years in this way.

### **The practical implementation of the national funding formula**

26. NAHT has campaigned over a number of years for a national funding formula that would establish national criteria to allocate funding directly to schools, and eliminate the anomalies both between and within local authorities' funding of schools. We saw this as the natural next step for school autonomy, and ensuring that schools are funded on the basis of the challenges they face, regardless of where they are in the country - ensuring a fairer allocation of funding so that pupils did not face a postcode lottery in the funding allocated to their education.
27. The Institute for Fiscal Studies' report into '[The Short- and Long-Run Impact of the National Funding Formula for Schools in England](#)' provided significant evidence of the anomalies in school funding arising from the local funding formulae developed by different local authorities, particularly in terms of how much funding was allocated for schools working in areas of high deprivation, and how funding was prioritised towards primary or secondary schools.
28. The original intention of the new national funding formula was to move away from this by eventually calculating and allocating funding directly to schools from a national level, based on their characteristics by April 2020. However, the government announced in September 2017 that whilst the funding for

each school would be calculated at a school level, it would then be passed through to their local authority to distribute according to their own local formula – the so called ‘soft formula approach to the national funding formula’. There was an ‘intention’ to move to a ‘hard formula’ paid directly to schools by 2020, but no commitment to do so.

29. We were very disappointed by this U-turn and the feedback from our members to our advice line over the last six months has confirmed our worst fears, as members report:
- a. Some local authority formulae favour certain schools over others, to a level that will drive schools to deficit
  - b. Schools not receiving the minimum level of funding announced by the Secretary of State, and quickly becoming unsustainable.
  - c. Lack of transparency over how the local formula has been developed.
30. Without a hard formula, the opaque nature of school funding that the NFF was intended to address remains, and pupils in one type of school in one local authority may get a lot less funding than in another. A national education service requires a national funding formula that funds schools based on the level of challenge that their pupils and their school presents, not on where they are located.
31. The NFF has been introduced at time when the school funding settlement has been badly eroded and this has often clouded its perception. At a time when all schools are facing real terms cuts, all schools needed the NFF to deliver significantly increases in funding. Our arguments over funding sufficiency aside, NAHT’s view was that the NFF factors and the weighting applied to them were largely appropriate. Our concern however, is that the implementation of the NFF at a time of funding crisis, and without adequate safeguards for small schools, means that small schools, often providing a critical lifeline for rural or deprived communities, are at the greatest risk.
32. The lump sum to cover the fixed costs for a school was set at £110,000 under the NFF, where in some areas it had previously been up to £170,000. Whilst there has been a minimum funding guarantee, there has been no real evaluation of what an appropriate level is to cover the basis costs of running a school. A criticism levelled at the NFF is that there has been no real assessment of a school’s costs - whilst we believe that this has been attempted by the DfE, it poses a significant challenge. We believe that the greatest casualties of this are smaller schools: one form entry primary schools and small rural secondary schools and those smaller are facing significant challenges to stay open, even where they collaborate and innovate to try to achieve the greatest efficiencies. The minimum funding of £3,300 per primary pupil or £4,600 for a secondary pupil is simply insufficient and where

schools are not eligible for other funding for pupils' additional needs, their viability is under threat.

## Conclusion

33. We believe that the current funding crisis is threatening the viability of our schools and the educational landscape in this country. The Select Committee is right to try to explore the options for a longer term cycle for education funding. At present there is no clarity about funding beyond 2020. If the funding crisis continues and the majority of schools face deficit budgets as our members are telling us, we believe that the consequences within only the next two to three years will include:

- **Disadvantaged children becoming more detached from their peers** due to insufficient funds to support them in the early years and break the cycle of deprivation early.
- **The closure of maintained nurseries**, and the loss of the highest quality early education, often in our most deprived communities.
- **A drop in standards across the system** due to fewer staff leading to less quality teacher and teaching support time per child.
- **Children with SEND and those experiencing mental health difficulties not having their needs met**, unable to engage with learning and a resulting increase in the cost of meeting their needs as these children become adults.
- **Critical subjects are lost to the system** due to not being able to staff specific subjects, with STEM and languages at greatest risk. This will prevent us from generating the specialists required to power our economy in the post Brexit years ahead.
- **The high quality education that exists in the vast majority of schools across the country will be put at risk**, putting the education system back to the standards of the 1980s. We must invest in our children and young people if we want a highly educated and trained workforce for the future.
- The final and devastating impact of a lack of adequate funding for our schools is that **Equality of opportunity for the children in our schools is seriously under threat** due to the lack of adequate funding

34. The profession has responded to all the challenges posed by government over the last few years, embracing ideological change after change and doing its best to make them work. However, the one thing that the system cannot manage without is funding. NAHT believe that failing to fund the system properly is tantamount to dismantling the education system as we know it and sacrificing the life chances of this generation of pupils. They deserve better.

35. NAHT members and officials would be delighted to give oral evidence to the committee, to bring to life, with specific examples, the impact of current levels of funding throughout the system.