

Education Committee

Oral evidence: [School and College Funding](#), HC 969

Tuesday 19 June 2018

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Members present: Robert Halfon (Chair); Lucy Allan; Ian Mearns; Lucy Powell; Thelma Walker; Mr William Wragg.

Questions 1 - 80

Witnesses

I: Natalie Perera, Executive Director, Education Policy Institute, Luke Sibieta, Research Fellow, Institute for Fiscal Studies, and Angela Donkin, Chief Social Scientist, National Foundation for Educational Research.

Written evidence from witnesses:

- [Education Policy Institute](#)
- [Institute for Fiscal Studies](#)
- [National Foundation for Educational Research](#)



Examination of witnesses

Natalie Perera, Executive Director, Education Policy Institute, Luke Sibieta, Research Fellow, Institute for Fiscal Studies, and Angela Donkin, Chief Social Scientist, National Foundation for Educational Research.

Q1 Chair: Good morning. Thank you very much for coming this morning. For the benefit of the tape and for those watching outside, could you kindly introduce yourselves, from our left to right? Note that the acoustics are not fantastic.

Luke Sibieta: My name is Luke Sibieta. I am a Research Fellow at the Institute for Fiscal Studies in the Education Policy Institute.

Natalie Perera: I am Natalie Perera. I am the Executive Director and the Head of Research at the Education Policy Institute.

Angela Donkin: I am Angela Donkin. I am the Chief Social Scientist from the National Foundation for Educational Research.

Q2 Mr William Wragg: The overall level of public money going into education has never been as high, yet schools report unmanageable pressures on their budgets. A very simple question: how can both be true?

Luke Sibieta: They are both true. The total level of funding directed to schools is clearly at its highest level since records began or whatever, but the number of pupils has clearly grown over the last seven to eight years. Funding per pupil, after adjusting for inflation, is about 4% or 5% below its peak in 2015-16, so it is just that the number of pupils has exceeded the growth in school spending over time.

Natalie Perera: I would add to what Luke said, which I entirely agree with, in that, yes, the overall quantum is higher because of pupil numbers, but we also need to take into account that that overall quantum includes the pupil premium, which is a set pot targeted for disadvantaged children. It is questionable whether you can count that as all schools benefiting in the same way. Also, there is the wider context of school funding in terms of the pressures that have built up around teacher pay, national insurance, more recently the apprenticeship levy, and then wider local authority funding and the education services grant, which has also been cut.

Q3 Mr William Wragg: You mention the different strands there. Of those factors, do any of them lie outside the responsibility of the Department for Education?

Natalie Perera: That is a good question because health spending obviously lies with the Department of Health, local government with DCLG, and wider benefit spending with DWP, with the Treasury holding the ring for all of that. The ability of the Education Department to set a



school budget and know that that is going to be enough to run a school lies, as well, in the role of all of the other budgets interacting.

Angela Donkin: That question is quite interesting because it seems that schools are increasingly being asked to do more—for instance looking after pupil mental health, DH; checking for signs of radicalisation, Home Office; monitoring health and social issues, full stop. Then, of course, there is more in terms of the remit of education, mentoring newly qualified teachers, the apprenticeship levy, and so forth.

Q4 **Chair:** Just on what my colleague has said, the secondary schools deficit rose from 8.8% in 2013-14 to 26.1%, and you found these figures, Natalie, at EPI in 2017. We know that the primary schools deficit hugely increased, but the overall proportion is not as high as it is for secondary schools. Why are so many secondary schools overspending? Is it just, from what you have said, because of these extra pressures? Is it because of increasing pupil numbers, or is it to any degree avoidable?

Natalie Perera: I do not think we know precisely what has caused the difficulty in secondary school budgets. What we do know is that the amount that secondary schools spend on supply teachers and the associated cost of that has increased significantly in comparison to primary schools. They obviously have a broader and often more technical curriculum than primary schools. What we will see over the coming years is the bulge in pupil numbers that we have seen in primary move into secondary, and there is a real risk that that could worsen the financial health of secondary schools.

Q5 **Chair:** I will come to you to answer both in a minute, Luke.

Natalie, you found a huge geographical variation in deficit spending. The region with the highest proportion of local authority maintained secondary schools in deficit is the south-west, at 34.9%, while the region with the lowest is my region—the east of England—at 17.5%. Why is there this huge difference in rates? Does this suggest that some schools are better at managing finances or have some regions done worse?

Natalie Perera: It might well be that some schools are better at managing finances than others. We know that historically there has been significant variation in per pupil funding across the country, and the national funding formula is seeking to rectify that. It is also more difficult to attract teachers, and maybe you have to pay over and above the going rate or pay more on supply teachers the further away you are from London and other metropolitan areas. That might be why we see areas like the south-west, which are typically more rural, struggling a bit more.

Q6 **Chair:** Although the east of England has a fair bit of rural—some of it is quite far away from London.

Natalie Perera: It does, yes.

Q7 **Chair:** Luke, could you follow up with both questions?



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Luke Sibieta: Sure. I should start by saying that we probably do not know the precise answer to why secondary schools may face more financial pressures than primary schools. We know some things are the same. The overall core school funding position is pretty much the same across primary and secondary schools. Primary schools did benefit more from the pupil premium than did secondary schools because the rate for primary schools was set higher than it was for secondary schools. The additional cost around the apprenticeship levy and pensions would have been the same.

I suspect it may be down to—this is my hunch—the additional responsibilities that they have taken on over the last probably 20 years. More responsibilities have passed from local authorities to schools and more is done with secondary school-age pupils. I suspect it is more to do with them taking a bigger role in the community, and in education more generally, which is just more costly.

Q8 Ian Mearns: I want to change the emphasis to the capital budget. What are the main challenges for the capital budget for schools and for educational establishments?

Natalie Perera: As I said, we have a population bulge that is now moving from primary into secondary. One of the challenges is being able to have accurate data at national level about pupil growth and pupil numbers, but at local level as well. The Department needs to make sure that it has that data so it can ensure effective place planning. The other thing that we know very little about is the general condition of the school estate; there is a real paucity of data there.

Finally, the thing I say about capital is that the free schools programme is intended to provide both innovation to the school system but also new places where they are needed most. We have found that they have partially met that latter aim of providing new places where they are needed most, but a greater proportion have been established in areas that do not necessarily need those new places.

Q9 Ian Mearns: In terms of the paucity of data, there used to be an annual condition survey. What has happened to that?

Natalie Perera: I do not know what has happened to that—maybe it still happens—but our understanding is that it does not give the wealth or richness of information about the school estate as it could do.

Angela Donkin: We have some limited data, so what I do know is that between 2010 to 2015 capital funding was cut by around a third. In terms of the impact, there has been a limit to the ability to maintain infrastructure and IT. It limits the capacity for schools to expand and also for areas to build new schools. There was particular pressure in primary schools, as we have noted already, and that is then going to move to secondary schools, so it is going to add more of a pressure.



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We conduct the PISA study for England, and in 2015 headteachers were asked about the degree to which capital funding was hindering performance. In England, more headteachers, 45%, are saying that the state of the infrastructure is hindering performance, compared to 35%—

Q10 **Chair:** Have any of you made a substantive assessment of the capital expenditure needs of schools over the coming years?

Natalie Perera: Not yet, no.

Q11 **Chair:** Has anything been done in terms of what is actually needed for school buildings to be fit for the 21st century?

Natalie Perera: Not to my knowledge.

Q12 **Chair:** Is it possible to do such an assessment or not?

Natalie Perera: Potentially. I do not know.

Q13 **Ian Mearns:** I think we need to ask the DfE what has happened to the data that they used to collect—it was an annual condition survey that they conducted usually through the auspices of local authorities. Have you quantified the level of money that has been spent on providing school places where they are not needed?

Natalie Perera: We have not quantified the level of money that is being spent, partly because the Department and proponents of free schools would argue that it is not just about basic need, it is also about creating greater choice and innovation where parents and local communities want them.

Q14 **Ian Mearns:** Yes, but that has an opportunity cost if you have unmet need elsewhere.

Natalie Perera: That is right, but we have not calculated the cost.

Q15 **Ian Mearns:** The crucial question is this: the Government tell us that the economy has been doing quite well for a number of years now—that is their view of the world—so have they been mending the roof while the sun is shining?

Natalie Perera: I do not know is the honest answer.

Q16 **Chair:** These questions are important because our inquiry is looking at the future: what are the needs of schools and colleges? One would need to know what the capital needs of schools and colleges are as well. What you are saying is that there is sparse data out there?

Natalie Perera: That is right.

Q17 **Ian Mearns:** Do we have any data at all about whether schools themselves are making the most effective use of their land and buildings?

Natalie Perera: I do not know if you know more, Luke, but the data that I am aware of comes through the school financial benchmarking data—



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the Department looks at how much similar groups of schools are spending on things like land and maintenance—but it does not give you a picture about what kind of condition those schools are in.

Q18 Ian Mearns: You do not think anybody is actually doing a proper full data analysis of all of this stuff at the moment?

Chair: Angela, you look like you wanted to answer.

Angela Donkin: I do not know whether or not anybody is doing that research, and I am afraid to say that we are certainly not across that particular area of research. Maybe some light could be shed on how much money is needed, because an announcement was made in May of an additional £50 million of capital funding for grammar schools. Presumably, somebody has some calculation by which they have worked out how much grammar schools need per school.

Q19 Ian Mearns: It is £240 million, not £50 million.

Angela Donkin: Was it even more?

Chair: It is over the five years.

Ian Mearns: It is a five-year programme. It is not a one-off £50 million; it is £240 million.

Chair: That is a very good point, thank you.

Luke Sibietta: Just to add to those points, data is collected on the capacity of individual schools. I cannot quote you any figures from that because I do not know them that well, but the last time I looked at them they clearly showed that schools are filling up. That is unsurprising, and there is clearly going to be a need for more secondary schools and secondary school provision.

The problem about costing is that it is hard to put a figure on how much a school costs because it can be however much you want. If you were to go back seven or eight years to Building Schools for the Future, a secondary school under that programme would have cost a very large amount of money. It depends on what you want a school to do with this building. You could probably build quite a cheap school, but that might not be the best school in the world.

Q20 Ian Mearns: We know that there has been a growth in pupil numbers, but is that a wave coming through or is it being backfilled? Is it going to be a permanent increase or an increase for the foreseeable future?

Natalie Perera: The numbers are now stabilising in primary, and where we have seen that population bulge, as I said, it is going into secondary.

Q21 Ian Mearns: Is it like a bit of a baby boom that is coming through?

Natalie Perera: Yes. In the meantime, as Luke said, what the capacity data does show us is that the average class size has increased over the last few years, as has the number of classes that exceed 30 pupils. That



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gives us some insight as to how the population bulge has impacted on primary, in particular.

- Q22 **Ian Mearns:** All over the country, though, local authorities 10 to 15 years ago were rationalising their school estates because there was a drop-off in pupil numbers. After 2010 they were being criticised because, "You have closed buildings and now this pupil bulge has come through". That was not particularly foreseeable because hadn't there been a long-term trend of birth rate dropping before that baby boom came through?

Natalie Perera: The question is that—

Ian Mearns: Local authorities, in particular, were being criticised by Government for closing school buildings, and then obviously we have had to recreate places. Were local authorities really to blame or was it just something that was unforeseeable?

Natalie Perera: Presumably, it was at least foreseeable to some extent through population forecasts.

- Q23 **Ian Mearns:** You get birth data from the Department of Health—we know that—but that only gives you what your projections need to be for the next three to five years, doesn't it?

Natalie Perera: Yes. I assume that maybe the data available at local authority level was not being made best use of, so nationally it might have been more foreseeable than it was locally.

Chair: Can we ask questions to all the witnesses?

- Q24 **Thelma Walker:** Could I ask you about pupil premium funding? The Sutton Trust, interviewing 1,400 teachers and headteachers, found that 30% of headteachers are using that pupil premium funding to plug the gaps in their budget currently. How is that pupil premium funding being targeted? Obviously, it is meant to be for children receiving free school meals. Is that premium funding being targeted appropriately?

Angela Donkin: Schools are on different journeys with regard to the use of pupil premium. Some schools are more advanced in using it well and other schools maybe need a little bit more help and direction with regards to how they use it. One of the first points it is important to recognise is that, if the pupil premium is utilised well, it is effective.

The issue about it plugging gaps, potentially, in other budgets is something that needs to be looked at in a little bit more detail, but we certainly have also seen that research. It is based on our own Teacher Voice Omnibus, which suggests that, depending on where you are, areas are utilising the pupil premium to plug gaps, yes.

Natalie Perera: Yes, I agree with Angela that schools are using it in a variety of ways. I think that there is scope for them to make better use—

- Q25 **Thelma Walker:** When you say a variety of ways, can you give us some?



Natalie Perera: For example, using it to plug gaps but also using it to provide one-to-one support, to employ additional teaching assistants, to provide extracurricular activities, sometimes even to buy school uniform and PE kits for more disadvantaged children.

The main objective is that we need to encourage schools to make better use of the evidence of how to use the pupil premium. The Education Endowment Foundation has a toolkit that sets out the most effective interventions and the value for money they provide.

Q26 **Thelma Walker:** That seems to be quite effective because, again, the Sutton Trust says about 72% of headteachers are using that toolkit, and that is the main weight, the guidance, that schools have for effective—

Natalie Perera: I think that is the most powerful evidence we have about how the pupil premium could be used to maximum impact.

Luke Sibieta: It is unsurprising that schools would be using pupil premium money to fill other gaps in resources because, in some ways, that is what the pupil premium did at a national level under the coalition Government. If it was not for the pupil premium, school funding would have been cut, in real terms, between 2010 and 2015. It is not entirely unsurprising it then translates to a school level in terms of using the pupil premium to fill gaps, and there will have been very few schools that saw a real terms increase.

Q27 **Thelma Walker:** But morally?

Luke Sibieta: It is important to see it in the wider context of overall deprivation funding, because the pupil premium was a continuation of a very long-run trend in terms of increasing funding for deprived schools. What we see over the last 10 to 15 years is that most of that extra funding for more deprived schools has been used to employ extra teaching assistants and other educational and support staff. There will be examples of where that is done very well. Again, the EEF has released lots of guidance about how to maximise the impact of teaching assistants. There will be examples of where that is done well, where they use one-to-one tuition or catch-up support or as part of the planning of lessons. There will be other examples where they are used quite badly, in terms of just being an extra body to provide admin assistance or providing one-to-one support for a pupil but which then takes them away from the teacher and means they do not get the attention of a highly qualified teacher.

Q28 **Thelma Walker:** I would agree with you when you say it has worked effectively with one to one, because it is not just about cognitive skills, but about that relationship with children who are coming from maybe a stressed background.

Luke Sibieta: Exactly. It is important that that relationship is done in an evidence-based way. If they are just sitting next to them in classes and telling them the answers to questions, it is not going to be any help at all.



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If they are trained well and they can deliver these effective interventions that EEF has shown have a substantial effect on pupil attainment, then they can be transformative.

- Q29 **Thelma Walker:** Could I just have your thoughts, though, on my original statement about 30% of heads using that funding to plug? What are your thoughts on plugging the budget deficit?

Luke Sibieta: I would say I am unsurprised and that is what heads have to do given the financial situation.

- Q30 **Thelma Walker:** Do you think that is acceptable?

Luke Sibieta: If that was my pupil I probably would not.

- Q31 **Chair:** Can I just remind you about the acoustics? Could you speak slightly louder?

Following on from what Thelma has just said, the Sutton Trust survey says that 30% of the pupil premium is being used to fund deficits. Should the pupil premium be ring-fenced for the disadvantaged or not?

Natalie Perera: There is a real tension here between school autonomy and a school knowing its pupils, its wider context and having the flexibility over budgets, and having a ring-fenced pupil premium. For example, when the pupil premium was created in 2010, the coalition Government expected that it might be used in very disadvantaged schools to attract highly qualified teachers through better pay. It would be very difficult to put that within a ring-fence. The intention of giving schools the autonomy to make decisions that best fit their local context was probably the right one but, as we see, it is competing against wider funding pressures, too.

- Q32 **Chair:** What studies are you aware of? For example, where attainment gaps in schools have narrowed, is there any analysis whether the causality can be attributed to the pupil premium? What impact assessments do you, outside bodies and the DfE make on the effectiveness of it?

Natalie Perera: We did a report last year or so that looked at the disadvantage gap in different types of schools pre and post-pupil premium. We found that the gap closed at a faster rate in schools—particularly primary schools—where there are large cohorts of disadvantaged pupils. That could be down to two things. It could be down to the fact that they were getting lots more money per head and that gave them a big pot of money that they could do more with; and/or the accountability system had an impact in terms of having to show how well disadvantaged children in your school do.

- Q33 **Chair:** How much faster? Was it faster-faster or just a little faster?

Natalie Perera: In those schools it closed faster, but in schools where they did not have very many disadvantaged children, we did not see any closing of the gap or very minimal closing of the gap. Nationally, what we



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have seen is that, post-pupil premium, the gap has closed at a similar rate to pre-pupil premium. Of course, we do not know what the counterfactual would be. The pupil premium may be preventing the gap from widening, but we cannot tell.

Angela Donkin: In terms of whether or not the pupil premium should be ring-fenced, I agree with many of the points already made. My only concern would be this. In light of reducing average per pupil spend, maybe it needs to be kept under review—maybe it could be trialled to see what the impact might be. It is also important to remember that schools need to publish a plan saying how they are going to use the pupil premium and how they are going to narrow the gap between the most and least disadvantaged. Again, it depends on what the compliance regime is around that plan. If nobody is looking at that plan, then maybe some of the schools are just ignoring them.

Q34 **Thelma Walker:** Again, the Sutton Trust evidence says that nearly 20% of teachers do not know what the pupil premium target is, so they do not know what the main priority is for pupil premium. There is a worry there, as well, isn't there?

Angela Donkin: Yes. We need to keep in mind what schools are spending their money on and also the impact. Where schools are cutting teachers or there are issues to do with the amount of total core spend, it is worth tracking what is happening there in terms of the payment.

Q35 **Chair:** I have a final question on the pupil premium. The DfE figures from 2013 suggest that something like 200,000 children aged from four to 15 were not registered for free school meals even though they were entitled to them. First, does anyone out there have updated figures? Is there a danger that the money is not getting to the right places? What should be done to address this?

Luke Sibietta: On that issue and the pupil premium more widely, I do not have updated figures, but it is a good example of why giving schools the discretion of how to use that money is more appropriate. They are better judges of which pupils in their school are most in need of the extra support and who to provide it to.

In terms of what should be done, getting better information about the overall level of deprivation of the school is important, and the Department could do that more with better-linked data from universal credit claims. In the end, the overall budget for the pupil premium was set at a national level and they probably would have just adjusted the rate accordingly to provide different amounts, so I do not think the actual consequences for how much money schools have had to receive will have been that great. On the wider impact of the pupil premium—

Q36 **Chair:** What? You mean because of the overall budget of the pupil premium?



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Luke Sibieta: Exactly. They probably would have given the same budget anyway because that was set at the national level.

It is very hard to judge the wider impact of the pupil premium on children's outcomes, partly because it is relatively new, but we also do not know what would have happened. There will have been a whole host of other factors targeting pupils in deprived and less deprived backgrounds. Where studies have been done that have been able to get at the impact of targeting funding at deprived pupils, they have found very substantive positive impacts.

A study from the US found that a 10% increase in spending on the most disadvantaged pupils increased those children's later life earnings by 10%. Those children also had a greater chance of going to college and a lower chance of being incarcerated. The effects were then even larger when it was preceded by high-quality early years education. You find very similar patterns in terms of the impact of disadvantage funding in studies by the LSE and Essex. The jury is not out on whether disadvantage funding has an impact on pupil outcomes—we know it exists and that it is pretty substantial.

Angela Donkin: Just to add to that, there is research generally on money, which suggests that £1,000 leads to a 0.3 standard deviation increase in primary schools but a greater standard deviation increase for outcomes of disadvantaged children. By virtue of the fact that if money is important, then, similarly, taking that away suggests that it would be disadvantageous.

Q37 **Lucy Allan:** I would like to ask about post-16 funding. Nick Gibb told this Committee last year that post-16 funding was as a deliberate policy choice not being protected in the same way as 5 to 16 funding was. Could you tell me what you think the impact of that policy decision was? Can I start with Angela?

Angela Donkin: I have to say that we have not looked at further education funding in any depth, but I would certainly conclude that funding for further education colleges needs to be further looked at. If we are to have good quality T-levels, for instance, then we need to make sure that there is sufficient funding. We have also heard about this bulge in primary, which will go to secondary, which will then obviously go into the tertiary sector, so our general position is that there may be some relative underfunding of further education.

Q38 **Lucy Allan:** How much more do you think is required to bring it up to an adequate standard of funding?

Chair: It is £4,000 per head at the moment. What should the figure be to have a proper FE fit for the 21st century?

Natalie Perera: Are you asking any one of us?



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Angela Donkin: I have to say I do not know the answer to that question.

Natalie Perera: I do not know the answer to that specific question. Generally, on post-16, I think it was odd to prioritise five to 16 education when, at the same time, the Government were raising the participation age to 18. Historically, post-16 education, particularly vocational education, has always suffered in relation to academic qualifications. If you look across the OECD, the UK is one of the only countries, or indeed very few, who have historically funded vocational qualifications less than academic, even though it costs more. That is being addressed through the post-16 funding reforms, but there is a historical element there.

Luke and his colleagues at the IFS have done some very interesting work recently that shows not only how post-16 funding has fallen since 2010, but how it has been taken back to the same rate in real terms 30 years earlier. I hope I have not stolen your figure.

Q39 **Chair:** Just to reiterate, what should the figure be: £5,000, £6,000, £4,500?

Natalie Perera: The challenge here is knowing what the impact has been. There has been no analysis or assessment of what the impact has been on 16 to 18 provision across the country in terms of the breadth of the curriculum offer for pupils, the quality of the provision on offer, and how pupils are able to access it. So, have local colleges closed down?

Q40 **Chair:** But you do not have a figure?

Natalie Perera: No, we do not have a figure because we need to do that work.

Luke Sibieta: I am not going to give you a figure on what I think it should be but—

Q41 **Chair:** Why not?

Luke Sibieta: Because I do not know what it should be. I do know that the level of funding per pupil in 11—

Chair: That is one of the purposes of our inquiry.

Q42 **Thelma Walker:** Presumably, you accept that it was underfunded historically from 2010 onwards, that we have had—

Luke Sibieta: Absolutely. It is not just this Government and the previous Government. FE and school sixth forms have been the lower priority of the education sector for 20 or 30 years, and that is why—

Q43 **Thelma Walker:** Presumably it has an impact on skills and ability to be employable?

Luke Sibieta: Absolutely. We do not know what that impact is, but it is important. I suspect they provide a less rich curriculum at 16 to 18 with



less money. I was then going to go on to say that we do know what the level of funding is per pupil in 11 to 16 schools—it is about £6,150. If you look at FE for 16 to 18, it is about £5,370. Why funding should drop when pupils hit 16 I do not know. That does not necessarily seem to make sense to me. It was the case in, say, 1990 that funding per pupil in further education was about 50% higher than it was in 11 to 16 education. I am not clear why it should drop now to be around 14% lower.

- Q44 **Thelma Walker:** Could I just give some figures from the Sixth Form Colleges Association here on the impact of cuts to funding? Fifty per cent of schools and colleges have dropped courses in modern foreign languages, 34% have dropped STEM subjects, 67% have reduced student support services and extracurricular, and 77% are teaching students in larger class sizes. Those figures are dramatic so this needs addressing. We know how much we need funding, but there isn't the funding to deliver what we should be delivering.

Chair: As I mentioned, one of the purposes is to find out what that figure should be realistically and what would make a difference.

- Q45 **Mr William Wragg:** We are talking here constantly about the formulae and how we derive the total money available and apportion accordingly. Surely the question to ask is this: what does it cost to give, first, a primary child, and secondly a secondary child, and thirdly someone in sixth form or a college, an education that gets a good Ofsted rating? Has anybody done any work on that?

Natalie Perera: Asking that question requires the Government—any Government—to set out what they think the role of schools ought to be. What do you think a good curriculum offer looks like? Should schools provide mental health support, wider pastoral care, breakfast and after-school clubs?

- Q46 **Mr William Wragg:** I entirely accept the auxiliary role that the schools have taken on, but the terms of what a school is judged as in the current system by Ofsted are defined. Has any organisation carried out such research? If not, might I gently suggest that they do?

Natalie Perera: Even in terms of what they are judged at by Ofsted, that is still quite subjective. Things like safeguarding could include providing early identification of children who look like they might be at risk of something going wrong in the home, for example. Government need to first understand what it is they expect schools to be doing and then fund it accordingly and appropriately.

Luke Sibbets: The role of schools has changed greatly over the last 10 to 15 years. Back in around the early 2000s, about 60% of a primary school's budget will have been on teachers; now about 44% of a school's budget goes on teachers. About 30% of a primary school's budget will go on other staff, primarily because they have taken on, and have been



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encouraged to take on, other roles in terms of teacher assistants providing support to children with additional learning needs.

Q47 **Chair:** They have become welfare bodies as well.

Luke Sibieta: Exactly, but they have taken on these extra roles and staff and that is now a core element of what schools do.

Q48 **Mr William Wragg:** Does that mean that overall the percentage or proportion of spend on staffing, regardless of the nature of that staff, has increased in that time?

Luke Sibieta: The spend on staff has gone down slightly over time and the spend on non-staff costs has gone up from around 20% to around 25%. That is partly because schools have taken on these extra services, like behaviour support services and curriculum support services, by themselves rather than getting it through the local authority.

Q49 **Chair:** On the maths and English re-sits, have you assessed the financial and resource impacts on FE?

Natalie Perera: We have not assessed that yet, but we have been made aware from our discussions with FE providers that that is an issue. Alongside the wider financial health of post-16 education, that is something we are very keen to look at.

Q50 **Chair:** Not only are you penalising as FE budgets are underfunded, but you are also putting extra pressure on those smaller budgets by forcing them to do the re-sits. Do you have a view about that, Luke?

Luke Sibieta: I have the same views that have been expressed so far: it is clearly an extra cost and the re-sits have not been that successful so far.

Angela Donkin: Yes, it is an extra cost and it needs to be factored in.

Q51 **Chair:** If the Government do not fund further education properly, what do you see as the consequences?

Luke Sibieta: For further education and sixth forms, they are clearly the gateway into higher education or into the labour market. Not providing good access to good quality academic or vocational education might restrict pupils' ability to go on to succeed in higher education or in the labour market. The fact that funding goes down and then goes up again at higher education just seems a crazy way to fund education.

Natalie Perera: I agree with everything Luke said. Whenever funding in that way is cut, it is likely to impact on disadvantaged young people before it impacts on other people, too.

Angela Donkin: It would impact negatively on social mobility. In addition, there is talk about the fourth industrial revolution, and we need to make sure that we have the right skills moving forward and they are



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not necessarily always in the academic sector. We really do need to be thinking about what the alternatives are.

- Q52 **Ian Mearns:** The Department has a plan to raise efficiencies of £3 billion by 2019-2020 to counteract the effect of rising cost pressures. You have already talked about what percentage of budgets are teachers and non-teaching staff. What non-staff efficiencies proposed by the Government are left to be realised? Is there anything significant? They want to find something like £1.3 billion by non-staff efficiency savings, so what is left to be realised in the sector?

Natalie Perera: They are pushing hard for things like better procurement and better use of facilities—renting out your swimming pool or your assembly hall. To their credit, they do have some helpful tools in terms of financial benchmarking and guidance for governors and trustees about the kinds of decisions they should be making and looking at spending in similar schools. I do not think that they have done an assessment of what it would mean if those efficiencies were to be met for having a broad and balanced curriculum and having wider pastoral care, particularly in disadvantaged areas.

- Q53 **Ian Mearns:** Is there anything else that you can think of?

Angela Donkin: They did mention efficiency savings, but schools feel that they have not had the advice on how best to push those efficiency savings through. We would say that potentially there is an opportunity to better deploy teaching assistants and maybe review class sizes. If you are properly trained, you can teach larger class sizes with minimal impact on the quality of outcomes.

- Q54 **Ian Mearns:** What would be the consequences of making £1.7 billion savings from within staffing budgets?

Luke Sibieta: On the wider point of non-staff costs, the discussion and focus and wording of things as “efficiency savings” is a little bit unhelpful. You should call it what it is: it is cutting spending, and it is very hard to work out what the impact of cutting spending will be on pupil outcomes later on down the line.

We know that raising spending has a beneficial effect on outcomes. Presumably, the relationship goes in the other direction as well. I am pretty sure that a headteacher will know and have a clear incentive to make as many efficiency savings and get the best bang for buck on their procurement and maintenance budgets. They will have been doing that year in, year out for quite a long time, and even more so in recent times.

A more helpful focus for the Department than the photocopying budget for an individual school would be on the productivity of the school, and how it can best use its staff mainly to deliver the best outcomes for pupils. It should be helping to provide schools with advice on how to use their staff and how to train them well in order to produce beneficial outcomes for pupils.



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Q55 Ian Mearns: To say that schools should try to increase income by income generation schemes is all very well, but in order to do that you have to staff it because the school building has to be secure, but also it enhances depreciation of school assets as well. I am not sure if that has been built into that at the same time.

Luke Sibieta: A good example of what goes into non-staff budgets will be school maintenance budgets, which for maintained schools was about £500 million in 2016-17. You could cut that and call that an efficiency saving, but I am pretty sure that that will have a very negative impact down the line and probably cost more in terms of trying to repair it two or three years later.

Ian Mearns: As a chair of governors, I manage a school budget with the headteacher, and I think of all the cost centres we have. You just think, "Where is all of this fat that we are meant to be cutting out?" because you can't cut 10% of a caretaker. A caretaker is a caretaker, and it is very, very difficult to do that. Your cleaning staff are all being paid at a level that is usually concurrent with things like minimum wage rates or slightly above. It becomes a nonsensical effort to try to cut staffing budgets from that perspective.

Q56 Lucy Powell: I am just going to explore the issues around some of the other costs and burdens facing schools at the moment and whether you think more can be done there to cut the cloth better. One thing we heard resoundingly from headteachers and others was on the impact and cost of lots of different pots of Government money—initiatives—and whether they are value for money. I am talking about these various pots of money that schools now need to bid into just to get core funding essentially some of the time, or whether they add up to more than the sum of their parts. There seems to be a growing trend. Do you agree with that analysis? Do you think that is something that can be looked at across the DfE budget?

Natalie Perera: Potentially, but in many ways school budgets are a lot simpler now than they were pre-2010. Pre-2010 schools had a variety of different grants coming in from central Government and the local authority as well as their core schools budget. The coalition Government in 2010 consolidated that into one single per pupil amount that went to schools via the local authority and then put the pupil premium on top of that. That was a simplification of what we had already. Since then there have been other initiatives for schools to buy in on. We haven't done any assessment of the value for money or the burden that that places on schools, but I suspect that many schools might consider it more effort than it is worth given their limited resources already.

Luke Sibieta: I would agree with what Natalie says and I think it is interesting that you have a similar trend happening under Governments of a different colour. Under Labour you saw more of the specific grants, probably because you could have more control over what the money was being spent on and how it was being directed. That was then simplified in



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2010 and since then you have had a gradual increase in a number of different pots of money, probably for very similar reasons in that they want to have more control over where the money is directed and very specific ideas on what it should be used for. That creates that complexity again. It is less so than it was in the late 2000s but it does come again.

Q57 Lucy Powell: It is that ring-fencing versus autonomy argument that we were talking about before. Related to that, we have heard a bit about what some people might call top slicing by multi-academy trusts—others might call buying in for services and so on—and the growth of the top salaries of many people who run multi-academy trusts. It is a double-edged question. Do you think that the growth of the fragmented school system has brought less or more efficiencies into the system? Secondly, do you think that more should be done to assess the value for money offered by multi-academy trusts to an individual school as a way of looking at money?

Natalie Perera: We did some work and we found that, in many cases, multi-academy trusts were spending less on back-office functions and conversely more on teaching staff. Going back to the point about top slicing, the coalition Government between about 2012 and 2014 took great effort to simplify the way that funding was allocated from local authorities to schools and put much stricter rules in place about the amount of money that had to be passed down, the way in which it had to be passed down using a formula, and the rules around top slicing that local authorities had to follow. That has improved the transparency of how schools get their money from the local authority, but obviously if they are a multi-academy trust then their money could be top sliced from the trust and we lose all of that transparency when it comes to an individual school. That is increasingly a worry if what you want is a transparent funding system for parents and the wider public to understand.

Luke Sibieta: I agree with Natalie. It also goes back to this point about schools taking on much more responsibilities over the last seven years but also over the last 10, 20 or 30 years. More money has moved from local authorities to schools and schools have taken on responsibility for spending that money. Whether they have been able to get value for money from that is a separate question. I am not sure a good assessment has been done, but they are clearly spending more of their budgets on non-staff costs. They are buying more services than local authorities would have provided for.

Q58 Lucy Powell: That is a secondary point, I suppose. If multi-academy trusts are taking 8% of the school budget, how can we determine whether the school is getting any value?

Natalie Perera: We don't know because we don't know how much MATs are taking from their schools.

Q59 Lucy Powell: Okay, and you think that should be done?



Natalie Perera: Yes.

- Q60 **Lucy Powell:** Following on from that is the procurement point. The DfE is creating what it is calling procurement hubs for academies around the country to group together to buy services. It sounds remarkably like a local authority to me in the old days. Are we reinventing what has gone before in terms of that ability to get good value for money when we are purchasing in schools as well?

Natalie Perera: Potentially.

Luke Sibieta: Yes, I certainly recognise the journey between local authorities and schools that you are talking about and I think it would be helpful if the Government set out what they think the role of local authorities, MATs and schools should be both financially and overall responsibilities, because schools are gradually taking on more and more. That is almost certainly part of what they talk about in terms of their squeeze on funding.

It would be helpful if the Government would set out what they think the role of the school should be rather than saying a school should keep doing more and more from the existing budget.

- Q61 **Lucy Powell:** Finally, we have heard that another additional pressure is the new exam system, and whole sets of new assessment systems through primary, secondary, A-level and everywhere else, with no additional resources for schools. Do you think that could be higher up the political agenda? Has anyone done any cost analysis of how much extra burden that is putting on schools? Should we have given them more money and so on?

Angela Donkin: We have looked at the teacher recruitment and retention issues. You have this higher burden—looking at teacher workload—which I think talks to some of the points that you have made. Teachers work an average of 50 hours a week, which is higher than nurses or policemen. In fact, it is higher even if you average it over the year taking in the holidays. What is happening is that there is a bit of a retention issue and people are leaving. One of the key issues is to reduce their hours and their workload. We need to be looking not only at the cost to the school; there is a knock-on effect in terms of teacher retention and recruitment—if people are leaving, there is a further cost on recruitment and retraining. There are some wider issues. I think it should be higher up the agenda.

- Q62 **Lucy Powell:** Does anyone else have anything to say on that?

Natalie Perera: I was going to say that there needs to be potentially greater foresight at the start of a spending review about what the funding implications of changes to policy are likely to be. I think that is where a lot of the difficulties set in—you take a set of decisions at the beginning of the four or five-year spending review and along that timeframe you



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don't then account or acknowledge the change in school budgets, and don't have the ability to adapt to those policy changes.

Lucy Powell: That is a good point, yes. Thank you.

Q63 **Chair:** Is it right that the national funding formula is weighted more towards low attainment than places of deprivation where the pupil would come from than previously? Is that correct?

Natalie Perera: Is it weighted more to low attainment than disadvantaged locations?

Chair: Yes.

Natalie Perera: Good question, I can have a quick look now. That is probably right. If you look at deprivation as a whole, including free school meals, pupil premium and area-based deprivation, the amount that goes via the national funding formula is around 9.1%, and for low prior attainment it is 7.4%. There is a higher rating for deprivation overall than for low prior attainment, but looking at these figures, area-based deprivation is probably lower than the low prior attainment. We are talking about many of the same groups of pupils in many of these cases.

Q64 **Chair:** It is not significant? It does not make a difference?

Natalie Perera: It doesn't look significant to me.

Q65 **Chair:** My colleague Lucy Powell's first question about different pots of money going to lots of initiatives—the opportunity areas are a great example of that—do you think that they are providing value for money? Are they a good way of spending resources?

Natalie Perera: The problem is that the principle of targeting areas that have been struggling for long periods of time across various phases of education is the right principle—it is sensible—but my worry about opportunity areas is that there is very little time. It took the Government a year of a three-year programme just to publish plans per opportunity area. We must then put in place interventions, evaluate them to some credible degree and know by the time we come to the spending review whether it is worth investing more or scaling out to more areas. I am worried that we will not have the evidence of impact there yet and people will lose faith.

Luke Sibieta: I would concur with Natalie. The jury is out until we have proper impacts, and certainly about what the impact of opportunities area has been.

Q66 **Thelma Walker:** Just focusing on the age-weighted pupil unit, is there any actual evidence as to how this is divvied up? A primary child is £2,747, and a key stage 4 child at £4,386. There could be an argument for it being the other way around. What evidence do they have as to how this is divided up?

Luke Sibieta: In terms of what drove the decisions?



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Thelma Walker: Yes. Do we have any evidence as to how and why that amount of funding is given to a primary child and almost double to a key stage 4 child?

Luke Sibieta: As far as I am aware, the ratio in terms of the age-weighted pupil unit was arrived at largely to replicate what local authorities do at the moment. Local authorities make very different decisions at the moment in terms of how they weight secondary versus primary school funding. It is not clear why they take their different decisions, but the Department made a decision to replicate the average of what local authorities did in order to minimise the turbulence and differences. They took that decision because they were not aware of any evidence that it should move one way or the other. It does not necessarily mean it is the right level.

Q67 **Thelma Walker:** We already have secondary schools where a quarter of them are in deficit with the budget, even with this.

Natalie Perera: Just to add to that, it is generally accepted that secondary curriculum costs more because they have laboratories and more sophisticated equipment and specialised teachers. That is historically why local authorities have tended to fund secondary more and then, as Luke said, the Department essentially replicated that pattern when it set the national funding formula.

Q68 **Thelma Walker:** There would be an argument that the more you put in the younger a child is, in terms of levels of intervention and support, then—

Natalie Perera: There is lots of evidence about investment and early intervention in education.

Q69 **Thelma Walker:** I am just asking what the rationale is behind it and the long-term thinking.

Angela Donkin: It goes back to a point that was asked by the previous gentleman about whether there should be some kind of rationale about how much it costs to teach a child in different settings. It seems as though some of this might be historic and all a little bit fuzzy and there may be a lack of clarity around how some of these figures have been derived. I think more clarity would be helpful on how these figures have been derived, what the meaning is and what you would expect to get from that level of funding. Obviously, it is going to vary by area and we may need to look at per pupil level of funding, but there does seem to be a little bit of, "Okay, it is 1:5 but we are not really quite sure why that ratio is there exactly".

Q70 **Thelma Walker:** That is quite a big question, isn't it? We do not know why.

Angela Donkin: Yes.

Q71 **Chair:** With the recent announcements regarding NHS funding, they now



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look like they are going to have a 10-year plan, which is a good thing. What do you think the impact of the £20 billion announced is going to have on the education budget? Should we not have a 10-year plan for education as well rather than the current system of doing it every two or three years?

Luke Sibieta: I will answer that in two parts: first, the implications of the NHS announcement, and secondly what we should do for education.

The announcement for the NHS was for a £25 billion increase in spending and the Government's current forecast for spending up to 2022 implies a 0.7% cut in day-to-day spending. That includes the growth forecast and the expected European Union settlement, which imply either £25 billion of tax rises to balance the books, £25 billion of borrowing or £25 billion of spending cuts elsewhere. It clearly proves there are quite severe challenges for high spending Departments like Education, Defence and others. The pressures are obvious.

Regarding approaching the settlement for education, to date the preference of policymakers and politicians seems to be going for a real terms freeze in something or a real terms freeze in the total budget, or a cash freeze in spending per pupil. A more helpful way of doing it would be to do it as a bottom-up approach.

Chair: A what, sorry?

Luke Sibieta: A bottom-up approach. We expect the public pay settlement to be about X% for teachers, we expect there to be about X% more pupils, we expect schools to be taking on these extra responsibilities around changing the assessment or qualification, and this is what we think the pressures on the school budgets will be as a result of these changes in costs over the next few years. The spending settlement should bear close resemblance if not necessarily the exact resemblance. If the Department was transparent about these, what would we expect the cost of the schools to be over the next few years? We should try for a settlement around that level. That would feel transparent to schools and to everybody.

Natalie Perera: Yes, I tend to agree with everything that Luke has said. We shouldn't underestimate the importance of teacher pay. We are awaiting the latest recommendation for the STRB on where teacher pay should be set for the current year, and whether it should breach the 1% public sector pay cap. All of those decisions will need to play into the spending review as well as what I alluded to earlier about understanding the wider context—if DWP is making more benefit savings, and if we are seeing, which we hopefully won't, frontline cuts to mental health services. We need to take all that into account when deciding what the education budget ought to look like.

Angela Donkin: It is obviously more helpful to people to have a bit more of a longer-term view. It would need to be looked at because of issues to



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do with birth rates, which could suddenly boom if we won the World Cup or something. We would need to keep on checking, but I do genuinely agree with this bottom-up approach, which is how much do things cost and how much do we need and doing it in that way.

- Q72 **Mr William Wragg:** Just finally from me, we talk about the health spending. What strikes me with the Department of Health is a very strong double act between the Secretary of State and the Chief Executive of NHS England, who more or less seem to be on the same hymn sheet or at least follow one another with complementary statements and so forth. How do you see that being replicated in the sphere of education?

Angela Donkin: It is obviously going to help to have some figurehead saying, "This is how much we need in order to reduce the gap in education at home, this is how much we need to maintain our schools". To have that figure is quite useful and having figureheads talk about it.

- Q73 **Mr William Wragg:** Is there anyone in the structure of how education is set up in this country that could do that? If the answer is no, the answer is no.

Angela Donkin: The Minister for Education.

- Q74 **Mr William Wragg:** You have two people there starting with the civil servant. The Secretary of State for Defence might have general staff and so forth. Where is that in education, do you think?

Angela Donkin: Ofsted.

Natalie Perera: That is the only vaguely comparable figure.

- Q75 **Chair:** In the vacuum, our hope is the Committee will provide that. The premise of Will's question is whether we need an equivalent of NHS England for the education system.

Angela Donkin: NHS England is charged with ensuring that the work of DoH is disseminated to the regions to some extent, and it supports local areas in making sure that the health of their areas improves. Given some of the things we said today about whether schools actually know how to push through those efficiencies, there is maybe a case for better dissemination, but I couldn't comment on whether or not you need a whole new body to do it.

On the back of the NHS statement, and on schools and prevention, education is one of the best preventative measures for keeping people in health. Alongside this increase in budget they have announced, they do also talk about a focus on prevention. Maybe there is a way to get some of that money back off them because if you have a good education system, then people's health choices improve, their economic productivity and their circumstances improve, and we will save money.

- Q76 **Chair:** When you say get that money back off them, what do you mean?



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Angela Donkin: If that money is targeted for health, there is also a narrative around prevention in terms of stopping the numbers going into hospitals. Good social services and good education is part of that.

Q77 **Chair:** I understand. You mean they are joined up?

Angela Donkin: Joined-up government, yes.

Chair: Rather than just budgets being in siloes?

Luke Sibieta: If I can go back to the question on the health/education comparison, it goes back to the very first question of the session. The message that schools get from Ministers in the Department for Education is that education spending is at a record level and you can make efficiency savings of £2 billion and £3 billion and not have an impact on pupil outcomes. The message that schools then give back is that we are cutting X% of this and we can't do X subject any more. You do not get the same connection between policymakers and schools that you do in healthcare. To some extent that may be because the consequences of lower healthcare budgets are much more immediate than education budgets. You can see ambulances queuing outside of hospitals. The equivalent for education is 20 years down the line this pupil doesn't have the skills to be doing a decent job. The consequences are there but they are just not as immediate and visible.

Q78 **Lucy Powell:** Part of what you are saying is that the Secretary of State for Health and Health Ministers do a lot more advocacy on behalf of their sector, whereas Education Ministers tend to be the deliverers of the Treasury's bad news back to their sector.

Luke Sibieta: Indeed.

Q79 **Lucy Allan:** Do you think the spending review process can deliver transformation change for school and college funding, or do you think that school and college funding should be taken outside of the spending review process? Can I start with Luke?

Luke Sibieta: I am not sure that you really could take it outside the spending review process, particularly the Chancellor's warning saying that we would never do the 10-year plan for the NHS ever again. It is important to see spending against one another and it is important that Government make a trade-off between how much we spend in different areas and getting value for money across different Departments. There is some danger that you have departmental horse trading in terms of Departments maximising their own budgets rather than working out where spending has the biggest effect. If there was some way of taking out the departmental horse trading, that would be quite a helpful way of working out the best way of spending money on education.

Natalie Perera: I completely agree. Having worked on a spending review in Government, the horse trading is a very frustrating and not the most effective way to do business. I agree with Luke also that education



can't be taken out of the spending review process, not least because it is such a big budget compared to other Departments. As I have said before, it needs to be taken in the wider context of what the settlement looks like in other public service Departments. With insight or foresight as to what the policy journey will look like over the forthcoming years so that we can have a credible, realistic settlement rather than a bit of horse trading now and then, we will know we are going to be £200 million or £300 million short further down the line.

Q80 Lucy Allan: Angela, are we ever going to get change under the current spending review process for schools and college funding, do you think? Are we going to be able to deliver transformational change of any kind for school and college funding within the spending review process?

Angela Donkin: I agree with my colleagues that if we have more thought in advance about what we want to deliver with that spending and have appropriate levels of spending attached to that, then we have more chance of making transformational change.

Chair: Thank you. It is really good of you to give your time, invaluable. I wish you well and the evidence that you have given today is very important.