

Written evidence submitted by The National Education Union (NEU)

Introduction

1. The National Education Union (NEU) is the largest education union in Europe, with more than 450,000 teachers, lecturers, support staff and leaders in membership from across the UK. The NEU welcomes the opportunity to provide written evidence on the financial sustainability of schools in England.

Executive Summary

2. Schools have been under increasing financial pressures, with school costs rising by 18.4 per cent since 2015/16. Per pupil income fell year on year until 2019-20 and school spending power fell by £3.1bn.
3. While the 2019 Spending Review began to address some of these funding pressures, the 2021 Spending Review has signaled a return to austerity with the real-terms growth rate slowing from 2.5 per cent to 2 per cent. This funding situation has led to a large number of schools being left in deficit, including over a quarter of secondary schools.
4. School funding has been cut most for schools with the most deprived intakes and least for those serving the least deprived intakes. As well as the overall average funding falling most for schools serving more deprived communities, the proportion of schools with a funding shortfall is highest for the schools serving the most deprived.
5. When faced with funding pressures most schools cut costs by cutting staffing. This results in cuts in teacher and support staff jobs, increased pupil-teacher ratios, larger class sizes and reduced curriculum options. The NEU believes cuts of this nature are 'inefficiency savings' and harm education.
6. A lot of the Government's trumpeted increase in cash funding has been going towards High Needs Block. The Government has made a big play of the cash settlement being increased by £7.1bn during the period of the Spending Round. The sheer scale of High Needs demand means over a third of that cash increase was set to go to the High Needs Block (almost £2.5bn over three years). Ultimately this funding is vastly insufficient given the scale of need.

School funding

7. Schools have been facing considerable financial pressures for the past decade, even before the impact of COVID-19. Recent research by the Institute of Fiscal Studies in its 2020 'Annual report on education spending in England' merely confirms what the education sector already knew. School spending per pupil in England fell by 9 per cent in real terms between 2009–10 and 2019–20. This represents the largest cut in over 40 years.
8. Schools costs have risen by 18.4 per cent since 2015-16 (Table 1) when the National Audit Office (NAO) released their report on the Financial Sustainability of Schools and projected a

cost increase of 8.7 per cent between 2015-16 and 2019-20. In Chart 2 we have updated the costs index first published in Financial Sustainability of Schools, using documents from the Department for Education and HM Treasury.¹²

Year	National insurance	Teachers' pension scheme	Annual pay award and salary increases	Apprenticeship levy	Inflationary pressures on non-staff spending	Total
2016-17	1.7%	0.4%	0.8%	0.0%	0.2%	3.1%
2017-18	1.8%	0.4%	1.9%	0.3%	0.9%	5.3%
2018-19	1.8%	0.4%	4.4%	0.3%	1.5%	8.4%
2019-20	1.8%	2.6%	7.2%	0.3%	2.0%	13.8%
2020-21	1.8%	4.1%	9.8%	0.3%	2.2%	18.3%
2021-22	1.8%	4.1%	9.8%	0.3%	2.5%	18.6%

Table 1: Increases in school costs 2015-16 to 2021-22

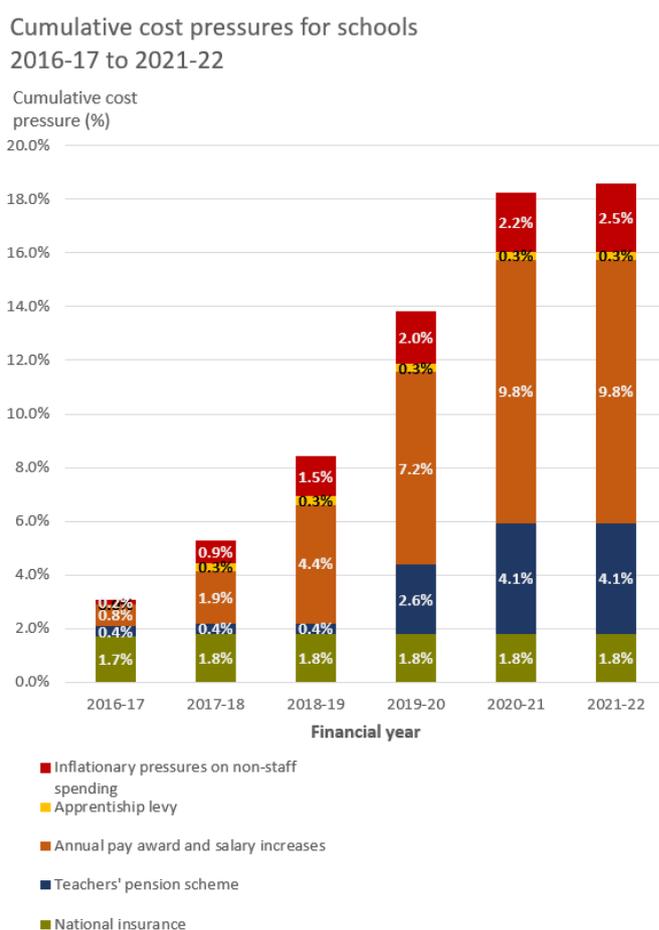


Chart 2: Increases in school costs 2015-16 to 2021-22

¹ Department for Education, *Schools' Costs 2018-19 to 2019-20*, Published Jan 2019

² HM Treasury, *Economic Evidence to the Pay Review Bodies 2020/21*, Published Dec 2020

9. Per pupil income fell year on year until 2019-20 just as the NAO predicted in their report and school spending power fell by £3.1bn. The Department for Education secured a three year settlement in the 2019 Spending Round, representing an increase of around £8.6bn a year by 2022-23.
10. NEU analysis indicated at the time that £12.6bn a year was needed by 2022-23 to restore per pupil funding to 2015-16 levels and pay for the increase in school costs. The 2019 Spending Round therefore represented a good start at reversing the reduction of education spending as a share of GDP but should only have been the first instalment in a long-term plan.
11. However If the 2019 Spending Round was a decent start, the 2021 Spending Review signals a return to austerity. The real-terms growth rate in the Spending Review period (2022-23 to 2024-25) is 2 per cent a year. This is a slowing from overall growth in funding from 2019-20 to 2024-25 which was 2.5 per cent.
12. Without accounting for the substantial costs of managing the pandemic, the funding gap narrowed in 2020-21 by £500m and by £1.1bn in 2021-22; however, this was very largely achieved through a cash freeze to staff pay.
13. The funding position has resulted in a large rise in the number of schools in deficit. The proportion of maintained primary schools running a deficit has increased from under 5 per cent to over 10 per cent, and the proportion of secondary schools from 18 per cent to 27 per cent. Unfortunately, the picture is not clear for free schools or academies because of their opaque accounting system; however, there are no reasons to believe they are in a better financial position.

Financial challenges for different types of schools

14. Over the last five years, the Government has been implementing the long delayed National Funding Formula. The National Funding Formula is being introduced to even out funding disparities and the Government stated their aim is to “address historic underfunding and move to a system based on need”.³ This aim is not entirely justified as disparities are often necessary given different circumstances facing schools.
15. Fundamentally, the Government has failed in this ambition because school funding has fallen for all schools. Next financial year, primary schools serving the least deprived cohort are projected to receive a tiny (less than 1 per cent) real increase in their per pupil funding (Charts 3 and 4).
16. School funding has been cut most for schools with the most deprived intakes and least for those serving the least deprived intakes. This differentiation has become more marked from 2018-19 onwards.

³ [School Funding Update, Statement made on 9 September 2019](#)

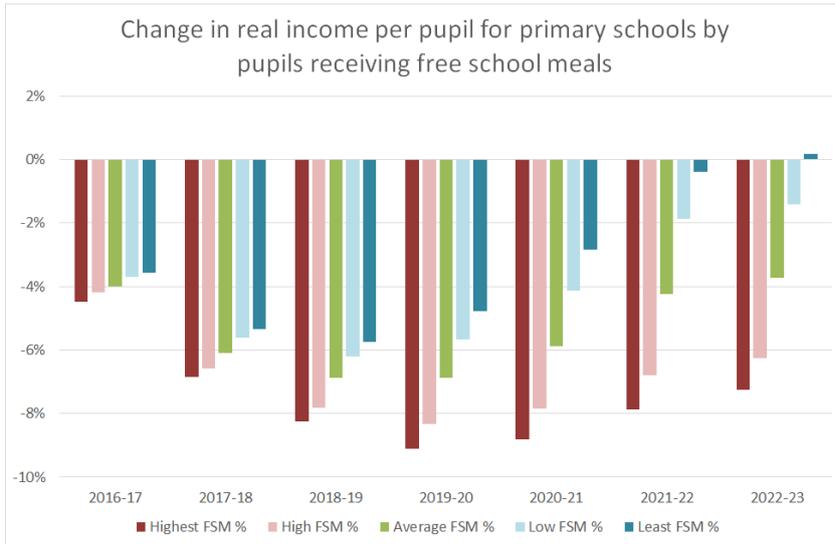


Chart 3: Change in real income per pupil for primary pupils by the proportion receiving free school meals

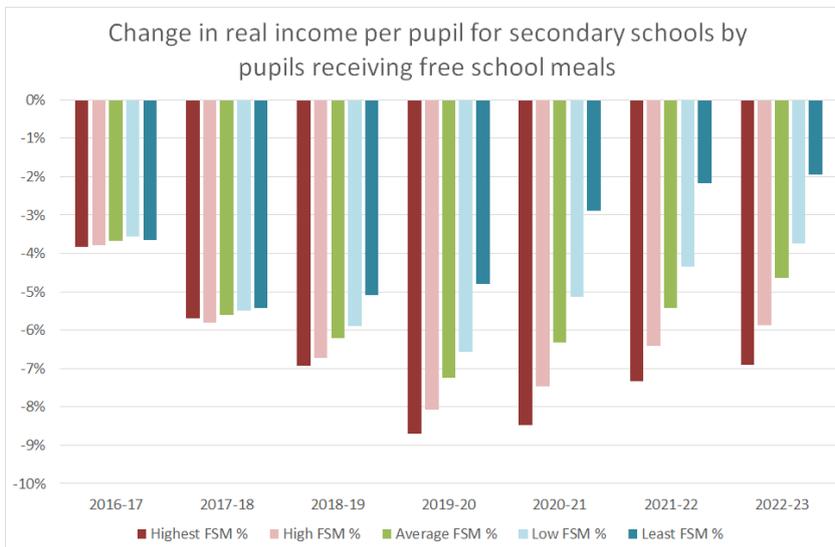


Chart 4: Change in real income per pupil for secondary pupils by the proportion receiving free school meals

17. As well as the overall average funding falling most for schools serving more deprived communities, the proportion of schools with a funding shortfall is highest for the schools serving the most deprived. Most schools will still have had their funding cut next year in every cohort of schools ranging from more than 80 per cent of schools in the most deprived cohort to just over 50 per cent of schools in the cohort serving the least deprived (Charts 5 and 6). The distribution is particularly striking in secondary schools where the experience of schools serving the least deprived quintile is so different to the other 80 per cent of schools.

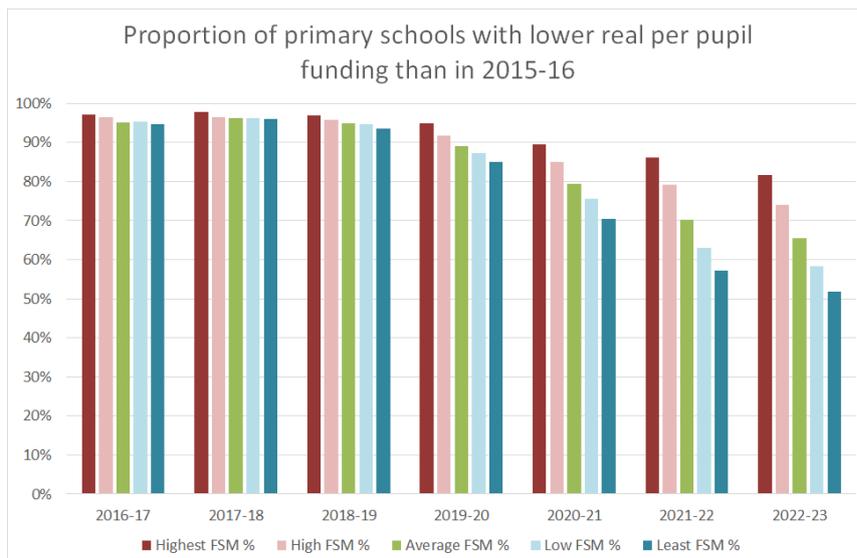


Chart 5: Proportion of primary schools with a cut to their real per pupil income compared with 2015-16

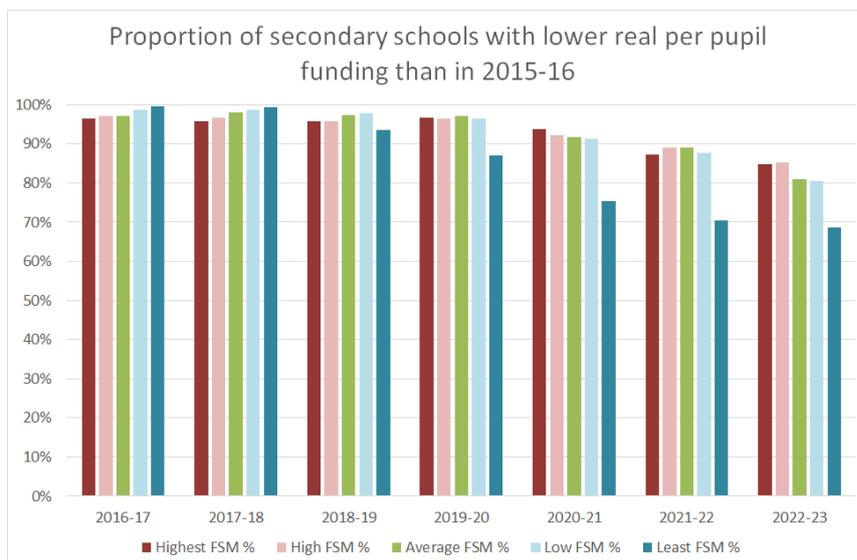


Chart 6: Proportion of secondary schools with a cut to their real per pupil income compared with 2015-16

18. Primary schools serving the least deprived quintile of pupils were funded at less than £4,500 per pupil in 2015-16 and secondary schools just £5,000 per pupil. However, the solution to even funding out by levelling down has not served schools, pupils or society well.
19. There is a clear and well understood link between deprivation and pupil achievement. This can be seen in charts 7 and 8. Schools need additional resources to overcome the effects of poverty. The Government's reform of the GCSE has resulted in only 30 per cent of pupils educated in schools serving deprived communities achieving the 5 level 5 GCSEs including English and Maths compared with more than 60 per cent in the schools educating the least deprived pupils in 2018-19. There are now more than twice as many pupils achieving the expected level in the least deprived schools compared with the most in 2018-19, the differential has grown substantially over the three years. Given this context, the

Government's decision to reduce the additional funding to tackle deprivation has made the task of schools educating more deprived pupils harder.

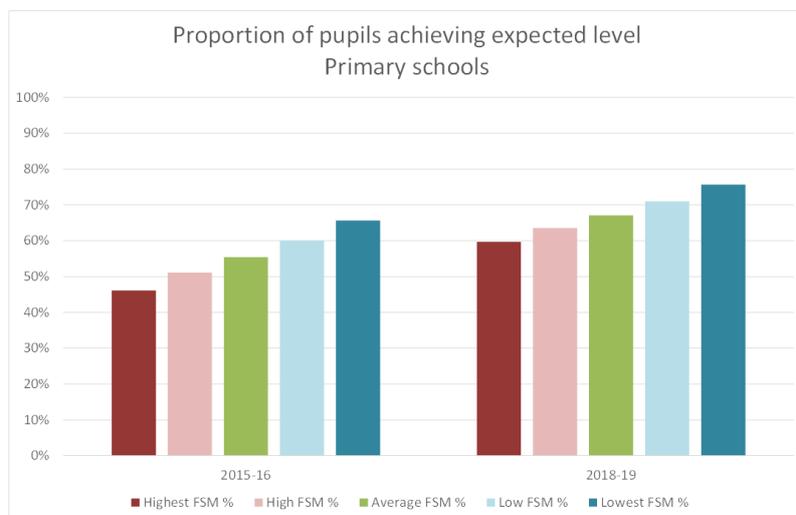


Chart 7: Proportion of pupils achieving the expected level in primary schools

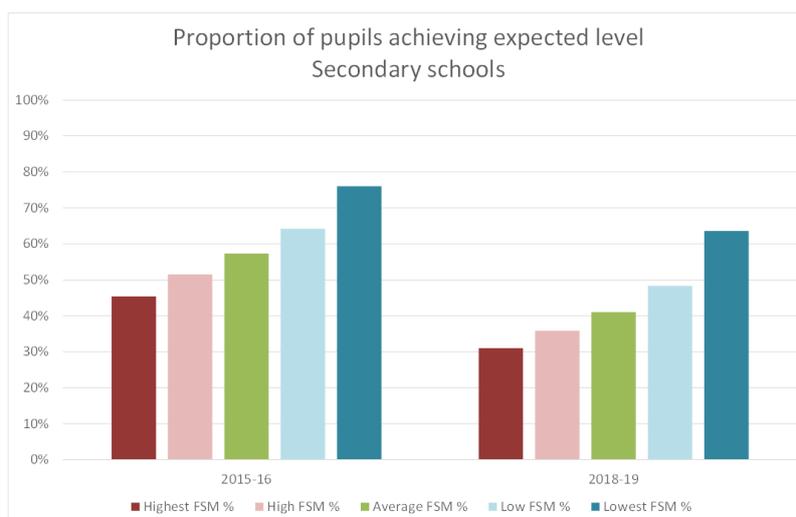


Chart 8: Proportion of pupils achieving the expected level in primary schools

20. The funding position was bad enough, the addition of COVID-19 to the mix has made it worse. COVID-19 has added many sources of additional cost. These include: increased supply costs; FSM costs; enhanced cleaning; heating (especially in the winter months); premises-related costs for additional opening; premises costs for building works. On the other side of the equation there is lost income for areas like letting of facilities or wraparound childcare.

Supply costs

21. Many school staff have been absent or forced to self-isolate. Over the Autumn Term 2020, 8.2 per cent of teachers were absent between mid-October and December. We estimate absence of the whole term was 6.6 per cent. Normal teacher absence is only 2 per cent. We estimate the cost of covering for additional absence was £21m per week and £290m for the

term. It is likely school supply teacher costs will be substantially above average for the remainder of the Covid pandemic. DfE has re-opened the COVID-19 workforce fund 'to provide financial support to eligible schools and colleges for absence costs incurred from Monday 22 November until the end of the autumn term'.

Lost income from lettings

22. We estimate that schools are losing £288m per year because they are unable to let their premises. It is likely lettings will be substantially disrupted until at least the end of the 2021-22 academic year, and so we estimate the total to be £430m.⁴⁵
23. Whatever the true figure, COVID-19 will have negated a large amount of the increases in school funding in 2020-21. Schools could not access the Government's exceptional costs grant if they had an accumulated historic surplus and expected to increase that surplus in year and finish the year with a higher level of reserves than they started. In practice, this means many schools will be in a significantly worse financial position than expected due to COVID-19.
24. The Government has already laid out its de facto solution. Schools will receive the additional funds set out in the 2019 Spending Round, but there is a pay freeze for most public sector workers. In schools it is only some lower paid support staff earning under £24,000 a year who have seen a rise. Effectively staff are paying to float school finances off the rocks. The impact may not be as great as the Government intends due to incremental pay scales giving many teachers (especially younger teachers on the main pay range) a rise. But the legacy of this pay freeze will be felt in the years to come through recruitment and retention. Many older teachers may seek to retire following the pressure of teaching in the COVID-19 environment.

Responses of schools to funding pressures

25. Faced with the cost pressures highlighted above, schools have been taking action to manage cost pressures. The major levers schools can pull will be linked to staffing – which means cuts in teacher and support staff jobs, increased pupil-teacher ratios, larger class sizes and reduced curriculum options. The NEU believes cuts of this nature are 'inefficiency savings' and harm education.
26. DfE school workforce data shows that the proportion of teachers in the whole school workforce in 2019 was 47.9 per cent, compared with 50.1 per cent in 2011. The proportion of teachers holding Qualified Teacher Status (QTS) fell from 95.3 per cent to 95 per cent. Teachers are a relatively expensive part of the schools workforce compared to support staff so cutting teachers means a cheaper staffing mix.
27. Pupil numbers continue to grow, without teacher numbers keeping pace - FTE teacher numbers increased only fractionally in 2019-20, by around 0.1 per cent. The net result is higher class sizes. The impact of these cuts can be seen in class sizes. Secondary class sizes are their highest since records began in 1978 and primary class sizes are at their highest this century. In addition, there are almost a million pupils being taught in classes of 31 or more.⁶⁷

⁴ [Local authority and school expenditure: 2019 to 2020](#)

⁵ [DSG allocations for all local authorities and regions 2020 to 2021](#)

28. These average class size figures obscure a profound change in English schooling. For decades pupils in schools serving deprived communities have been taught in smaller classes in order to help tackle the effects of poverty, over the last five years that practice has been abolished for secondary pupils.

Free School Meals band	2015-16	2020-21
1. Highest	19.6	22.0
2. High	20.0	22.1
3. Average	20.4	22.3
4. Low	20.7	22.3
5. Least	20.8	22.1

Table 2: Average class size by FSM band

29. To restore the Pupil to Qualified Teacher (PTQR) back to previous levels an additional 18,682 qualified teachers would need to be recruited.

30. Put this together and the picture emerges of schools stretching budgets by employing relatively fewer teachers and increasing class sizes and PTRs. Class sizes feed directly into teacher workload and are a key factor in driving teachers out of the profession.

31. Another area where lack of funding manifests is in capital spending. The National Audit Office highlighted in its 2017 report 'Capital Funding for Schools' that £6.7 billion was needed to restore all school buildings to a satisfactory condition and a further £7.1 billion to bring parts of school buildings from a satisfactory to good condition. The NEU believes these figures are likely to be an underestimate as they were formed from the DfE's 2014 Property Data Survey, so parts of the school estate will have deteriorated further since then. In 2009-10 the level of funding to maintain the school estate stood at £4.7 billion; however, by 2014-15 this had fallen to £1.9 billion and, despite rallying in the following two years, has been under £2bn since 2018-19. It is reasonable to believe that the condition of the school estate must be deteriorating.

32. This 2014 survey also did not take asbestos into account, so these figures make no assessment of the cost of asbestos management and removal. 60 per cent of schools were built before 1976 and around 85 per cent of schools contain asbestos, which not only makes them more difficult and expensive to maintain, but a riskier environment to work or learn in.

Support from DfE and ESFA for schools to improve their financial position

⁶ https://data.explore-education-statistics.service.gov.uk/api/download/school-pupils-and-their-characteristics/2019-20/data/class_size_2020.csv

33. School Resource Management Advisers are a useful idea and could be useful to aid marginal gains. However, our view is that the percentage gains would be low (1 per cent at most). The perception of SRMs has not been helped by their advice to cut school meal portion sizes.⁸
34. The NEU believes the tools for schools to review and benchmark their finances and efficiency are not bad but that definitions need work. One Head offered the example of two premises staff employed on the payroll (and thus counting against benchmarks) rather than being employed on an ad hoc basis and coming under a different budget heading. Schools coding spending in a different way means benchmarking will be inaccurate.
35. Benchmarking as a whole can be useful but should not be used on a 'paint by numbers' basis against pre-set ratios. This ignores specific factors and merely encourages Heads to engage in the 'inefficiency savings' seen above.
36. The Risk Protection Arrangement is seen as a good step which saves time and money, rather than schools buying their own insurance through brokers.
37. The general view was that ICFP was just decent planning that schools should be doing anyway. The online vacancy service was hampered in that schools had just relied on the TES.
38. All of these measures need to be balanced against the fact that schools have been seeking to make efficiency savings for many years already, and so there are very few savings left to make.
39. Overall, some of these measures have proved useful as tools. But efficiency is not the solution to problems in school funding. The solution ultimately lies in improved funding, not marginal efficiency gains.

National Funding Formula

40. A key point is that no-one fully implements the National Funding Formula (NFF) as it is, with local authorities mainly running their own formulae which diverge from the NFF. The logic of the NFF is that whatever the NFF provides once all relevant factors have been taken into account should be the minimum funding level. The Government itself introduced minimum per pupil levels of £3,750 for primary schools and £5,000 for secondary schools for 2020-21 because the age-weighted pupil unit and lump sum are not sufficient to provide adequate funding with which to run a school. A perverse consequence of the minimum funding rate is that when a local authority needs to find additional funds to supplement the high needs budget or to protect a category of school at risk from some local factor, then they can only divert funds from a proportion of local schools. The schools with additional funding have that money for deprivation or low prior attainment.
41. On average primary schools received 99.8 per cent and 99.7 per cent of their NFF allocations in 2019-20 and 2020-21 respectively, but this was not evenly shared and more schools serving more deprived communities received a lower share particularly in 2020-21.
42. The picture was even more stark in secondary schools. On average they received 99.4 per cent of their allocation in 2019-20 and 99.9 per cent in 2020-21. However, in 2020-21 the

⁸ <https://www.tes.com/news/dfes-stands-cutting-school-meal-portions>

upper three quintiles received more than 100 per cent whereas the lower two received only 99.5 per cent and 99.7 per cent of their allocations.

43. The NEU disagrees with the implicit assumption that there should be as little scope as possible for an intermediate funding arrangement sitting between schools and central government. There is no evidence-based foundation for such an assumption. Indeed, we strongly believe that local funding needs are best understood and responded to at the local level, including a key role for democratic accountability and discretion for local authorities.
44. We know, for example, the value and efficiency of allowing schools to pool their resources in an insurance-type arrangement for unpredictable and uneven costs, such as the cost of supply cover. The incidence of this need cannot be assessed with reference to pupil numbers or any other national determinant, as schools will experience different levels of need for supply cover relating to subjective and localised factors such as the incidence of sickness, staff on maternity leave and staff with public or trade union duties.
45. The introduction of the soft NFF led to a reduction in lump sum factors, which were used to support small schools in particular and will have had a particular impact on rural counties. Local authorities will have attempted to counter this through local formulae. In some ways the MPPLs are an attempt through a pupil-led mechanism to counteract the impact of the NFF.
46. The other major factor leading to local authorities wishing to diverge from the NFF is high needs provision. The number of children with Education and Health Care Plans (EHCPs) have increased by over 60 per cent since 2015. National funding rules allow only limited transfer of funding (0.5 per cent) from the schools block to the high needs block – certainly not enough to cater for the increase in need. NEU analysis indicates that to address these shortfalls, the High Needs Block should be £2.5bn a year higher, assuming the 2021/22 number of EHCPs were funded at the 2015/16 rate. It is no wonder local authorities seek to avoid the NFF straitjacket under these circumstances.

Funding for special educational needs and disability (SEND)

47. Inadequate funding for children and young people with SEND means that we are failing some of the most vulnerable students in our schools and colleges. Because the system cannot cope with the increased number of pupils with EHCPs, increasing numbers are being educated in inappropriate settings. In the past year there has been a 13 per cent rise in the number of pupils with EHCPs attending independent schools, which are not non-maintained special schools. There has also been a 2 per cent rise in the number of pupils with EHCPs in PRUs. In the worst case, children are not receiving any provision at all – 2,438 pupils are of compulsory school age and not in education, up 36 per cent on 2020.
48. The Government acknowledged that there are shortfalls in High Needs funding in the 2019 Spending Round, with £780 million for 2020-21 as part of Year 1, £730m for 2021-22 as part of Year 2 and £780m for 2022-23 as part of Year 3. Ultimately this funding is vastly insufficient given the scale of need. The Department for Education is currently conducting a SEND Review, which was due to have been published by June 2021. The reason for the delay is unknown, but the DfE should not attempt to change definitions of need in order to square the circle.

December 2021