

ESC Inquiry into school and college funding 2018

Response of the Association of School and College Leaders

- 1 The Association of School and College Leaders (ASCL) represents over 19,000 education system leaders, heads, principals, deputies, vice-principals, assistant heads, business managers and other senior staff of state-funded and independent schools and colleges throughout the UK. ASCL members are responsible for the education of more than four million young people in more than 90 per cent of the secondary and tertiary phases, and in an increasing proportion of the primary phase. This places the association in a strong position to consider this issue from the viewpoint of the leaders of schools and colleges of all types.
- 2 ASCL welcomes the opportunity to contribute to this important inquiry.
- 3 Between 1990 and 2020, public spending will have doubled and national income increased by 77%.¹ Ministers regularly state that '*there is more money in education than they have ever had before*'. Whilst acknowledging the accuracy of the comment we consider it misleading as the only reason funding has increased is because of the increase in pupil numbers. It is fundamental to this inquiry that the following information is considered alongside this statement.

Primary and secondary schools

- 4 Since 2010, the total number of pupils in state funded primary and secondary schools has increased by over 500,000.

Changes in pupil numbers: (state funded)

2010 actuals: Primary 3,986,000, Secondary 2,865,000 (SFR31:2010)²

2017 actuals: Primary 4,583,000, Secondary 2,797,000 (SFR31:2017)³

- Over the 2000's primary & secondary spend per pupil increased by around 5% each year. This ended in 2011/12 with funding frozen in real terms 2011/12 to 2015/16. (*IFS long run trends April 16*)⁴. Whilst actual growth in secondaries was broadly in line with GDP, primary growth was largely down to the Pupil Premium Grant (PPG),

¹ https://epi.org.uk/wp-content/uploads/2018/03/School-funding-pressures_EPI.pdf

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/219354/osr31-2010.xls

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/627044/SFR31-2017_Projections_Tables.xlsx

⁴ <https://www.ifs.org.uk/publications/8236>

additional income available to all types of school aimed at raising the attainment of disadvantaged pupils, which equated to £8.5bn in this period. (*EPI School funding pressures 2018*)⁵.

16-19 Education

- 5 In 1990/91 spend per 16-18 year old was 50% higher than spend per secondary pupil. In 2017/18 spend per 16-18 year old 13% less than spend per secondary pupil and 40% less than students in HE. (*IFS long run comparisons*)⁶
- 6 Over the 2000's FE spend per student increased by over 40%. Between 2010 & 2020 FE will have experienced a 13% cut, taking spend per student back to 1990 levels. School sixth forms have experienced an even more dramatic cut of 23% spend per student in the same period.
- 7 Evidence would indicate that when there are spending restrictions, post16 suffers more than cuts to school spending and sees smaller rises when there are increases in public spending. ASCL is concerned that this indicates that 16-19 publicly funded education is considered a lower priority than publicly funded pre16 education.

Efficiency

- 8 The NAO⁷ has previously highlighted to government the importance of sharing experiences, both good and bad, between departments and using that experience to avoid making the same mistakes twice. This inquiry provides a platform for upholding that approach
- 9 In 2016 the NAO⁸ reported that schools would need to make £3bn savings to counteract unfunded cost pressures and that these savings would need to be made by 2020. The unfunded cost pressures include
 - 4.4% annual pay award & salary increases
 - 1.8% NI increases
 - 1.6% inflationary pressures on non-staff spend
 - 0.4% increases in employer contributions to TPS (any 2019 increase is not included in this estimate)
 - 0.4% apprenticeship levy
- 10 School leaders are highly skilled in delivering great education and are fully aware of the need to demonstrate value for money. We know that cost savings have already been made. In 2017 ASCL members were asked about the cutbacks that were made in 2016/17. The headline findings from over 1000 respondents were
 - 95% had cut back on support services
 - 82% had increased class sizes
 - 72% had removed GCSE or vocational courses at KS4

⁵ https://epi.org.uk/wp-content/uploads/2018/03/School-funding-pressure_EPI.pdf

⁶ <https://www.ifs.org.uk/uploads/publications/comms/R126.pdf>

⁷ <https://www.nao.org.uk/wp-content/uploads/2015/10/The-art-of-spending-public-money-wisely1.pdf>

⁸ <https://www.nao.org.uk/report/financial-sustainability-in-schools/>

- 79% had removed GCE or vocational options at KS5

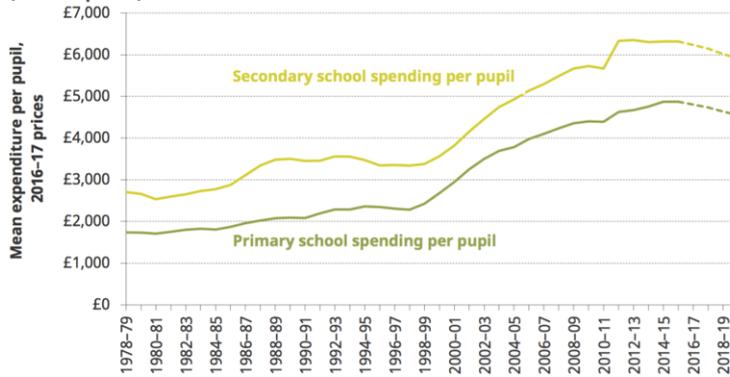
11 Many schools are no longer able to make further cost savings without jeopardising safety and some choices based purely on cost can lead to inefficiencies. Many school leaders are now forced into making difficult choices because there are no further efficiencies to be made.

Funding overall has increased but so have the expectations on our schools

12 ASCL acknowledges that education spending in cash terms has increased by some 50% since 2000 and that this has been reflected in per pupil spend. However, as the graph below indicates per pupil spend is now in real terms decline. (IFS)

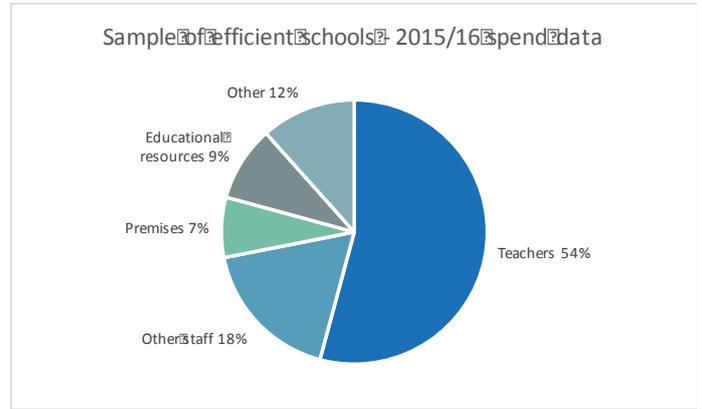
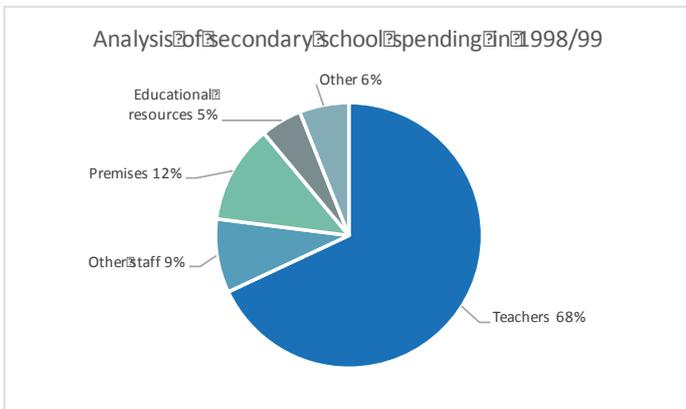
Long-Run Comparisons of Spending per Pupil across Different Stages of Education

Figure 3.1. Spending per pupil in primary and secondary schools, actual and plans (2016-17 prices)



Note: Dashed lines are projections based on actual policy and spending announcements for 2015-16 to 2019-20.
 Source: See Belfield and Sibieta (2016) for full details. HM Treasury deflators, November 2016, <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-november-2016-the-autumn-statement>.

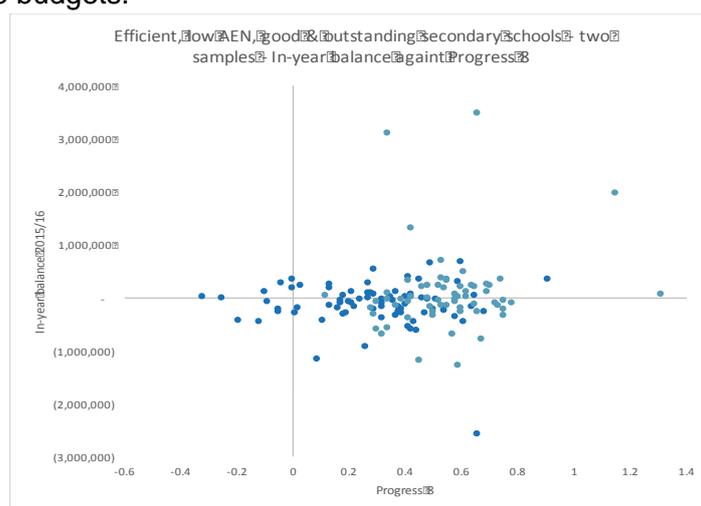
13 Over a similar period the breadth and scope of the responsibilities of schools have also grown, demonstrated by the change in spending patterns over time. The September 2000 DfE publication of Education and Training Expenditure since 1990-91, charted the distribution of expenditure in secondary schools in 1998/99. This chart, together with an updated version, drawn from the sample referred to in paragraph 19 is below.



- 14 This demonstrates the extent to which schools commit resources to activities that are not directly related to teaching and learning – greater responsibility for school buildings, more administrative and regulatory burdens and a wider range of staff reflecting the wider health and wellbeing role played by schools.

Many good and efficient schools are overspending

- 15 ASCL previously undertook an analysis of a sample of 'good', efficient schools with low levels of additional need to examine their income and expenditure to develop an understanding of the minimum funding requirement for the current school system.
- 16 We have updated that analysis to contain only schools identified as being in the top efficiency decile. Some of the original schools are no longer deemed 'good', some not making expected progress or no longer classed as efficient. In the 2015/16 spend data we found some concerning evidence that suggests the viability of the secondary school system may be misplaced.
- 17 Of the 131 secondary schools in the remaining sample, 56% of the schools (73 schools) spent more than their income in 2015/16. The full data set is shown in the chart below. Good results are being achieved, in many cases, on the basis of unsustainable budgets.



- 18 We know that more schools are working with in-year budget deficits⁹ and those with reserves see them dwindling.
- The number of maintained secondary schools posting in-year deficits trebled between 2013/14 (8.8%) and 2016/17 (26.1%)
 - The number of maintained primary schools posting in-year deficits increased from 4% in 2015/16 to 7.1% in 2016/17.

⁹ https://epi.org.uk/wp-content/uploads/2018/03/School-funding-pressures_EPI.pdf

- 19 According to Kreston / Bishop Fleming benchmark report 55% academies are posting in year deficit in 2016/17¹⁰.
- 20 This evidence is supported by ASCL's recent funding survey for business leaders. Respondents told us that 50% did not have any free reserves, and 80% of those with free reserves had seen them fall in the last three years.
- 21 ASCL believes in evidence informed policy making and is of the view that these trends provide clear evidence of insufficient funding in the system. We must not wait to see what will happen to our young people when schools can only deliver a deficit curriculum and lack of investment in IT and professional development renders the service not fit for purpose.

International comparisons

- 22 According to OECD evidence¹¹, the UK spends more than other OECD countries on education as a proportion of GDP (6.5% in 2014, OECD average 5.2%). However when broken down further into public and private spend it reveals that the UK spend on public education is around 4.75% GDP, below the OECD average (5.2%).

Public and private sector comparison

- 23 Data from the ISC¹² indicates that independent school annual fees (2017) average around £14,000, an increase of 3.5% on the previous year. According to the IFS spend per pupil in publicly funded schools was around £5,500 in 2016/17¹³ and is facing real terms cuts of 4.6% by 2020. This government has put social mobility high on the national agenda. We question how this can be achieved when the commitment to education funding is not even keeping pace with the growth of the economy.

Efficiency versus effectiveness

- 24 In the commercial world a business can reduce their costs and become more efficient financially by pushing down on the supply chain. Whilst there are many examples of business models being successfully applied to education, this is not one of them. Whilst we broadly support the DfE in their work to help the sector improve procurement efficiency, impact is limited. We believe that DfE should expand their remit to look at costs of examinations, schools management information and financial accounting systems and supply agencies.
- 25 Evidence suggests that amongst OECD countries the UK is in a group considered to be 'more effective than efficient: underspending or over performing.'¹⁴ This report suggests that this could be due to constraints such as low salaries which prevent the sector from recruiting sufficient highly skilled teachers. This resonates with the current teacher recruitment and retention crisis in the UK.

¹⁰ <https://www.krestonreeves.com/news-and-events/01/02/2018/academies-benchmark-report-2018-released>

¹¹ <http://www.oecd.org/education/education-at-a-glance-19991487.htm>

¹² <https://www.isc.co.uk/media/4069/isc-census-2017-final.pdf>

¹³ <https://www.ifs.org.uk/uploads/publications/comms/R126.pdf>

¹⁴ <http://sro.sussex.ac.uk/63813/1/The%20Efficiency%20Index.pdf>

- 26 NFER¹⁵, in their May 2108 report indicate that England, with 45% headteachers reporting teacher shortages, is well above the OECD average of 30%.

With regard to your specific terms of reference

1. What the DfE priorities should be for the next CSR period as they relate to schools and colleges

- 27 The DfE must prioritise sufficiency so schools and colleges have enough funding to support the quality of education that young people have a right to expect and to drive the national agenda for social mobility. The funding for each Institution must afford
- a sustainable curriculum
 - safe and well maintained buildings
 - sufficient and necessary teachers and support staff
 - sufficient high quality resources
 - effective contact / non- contact balance for teachers

Pre 16 Funding

- 28 The DfE has a wealth of data. It uses pupil projections to forecast the need for school places and how many teachers need to be trained (the Teacher Supply Model). It has information on class sizes, pupil:teacher ratios and average teacher costs for successful schools. It can predict how costs will change for schools for the future and what procurement deals will save. There is evidence about what works well, in reducing underachievement and how to make the best use of teaching assistants.
- 29 The DfE is therefore in an ideal position to develop, at a national level, the integrated curriculum and financial planning it is recommending to academies in order to determine the funding required to implement a national funding formula that sufficiently and transparently resources the ambition the DfE has for schools and children.
- 30 Drawing on the sample of good, efficient, low AEN schools (paragraph 17) but restricting analysis to only those with a balanced budget, we have looked at the funding per pupil required to sustain the current pupil:teacher ratio, given their average teacher cost and the proportion of their income they spend on other things. As “efficient” schools, it is logical to infer that they have reduced non-teaching spend as far as is reasonable, and as good schools, that their teacher profile and ratios were effective.
- 31 The median funding required for these schools (after inflating the average teacher cost by 5% to reflect cost pressures since 2015/16) would be £5,800, rather than the £4,800 used in the DfE’s minimum funding level protection introduced as part of the NFF.

¹⁵ <https://www.nfer.ac.uk/nfer-education-briefings-key-insights-for-england-from-pirls-timss-and-pisa>

- 32 In 2016 the NAO¹⁶ reported that schools would be required to make savings of £3bn to offset real terms cuts in funding between 2015 and 2020. In September 2017 the Secretary of State announced additional investment of £1.3bn would be included in the DSG by 2019/20. However that leaves an outstanding £1.7bn costs that need to be met. As a minimum the DfE settlement should include the £1.7bn still outstanding.

16 -19 Funding

- 33 The DfE must prioritise a significant uplift in the, currently frozen, 16-19 learner rate. Work that ASCL has done with the SFCA and AoC indicates that a helpful initial uplift of £200 per student would cost around £244 million. (see paragraphs 5-7)

Special educational needs (SEN) funding

- 34 There are 1.2million children and young people in the education system with SEN (14.4% pupil population)¹⁷.
- 35 The pressure on the High Needs block is increasing as it must deliver programmes of support for children and young people up to the age of 25. Local authorities have limited flexibility to move funds out of the schools block to meet demand and previous overspends. With schools forum agreement LAs can move 0.5% from the schools block and must get Secretary of State approval to move amounts greater than 0.5%. We know of 27 local authorities that have appealed for Secretary of State approval of which 12 were rejected.
- 36 DfE must therefore prioritise sufficient funding for high needs to meet current demand, whilst at the same time developing a framework for consistency around the country both in terms of cost model and quality of provision. In particular we are concerned that top-up funding (the funding required over and above the core or place funding an institution receives) is at risk as the demands on this block increase. Until work to address the consistency and cost of provision nationally is completed it will not be possible to propose a value for the amount required.

Efficiencies within the DfE resource budget

- 37 The sector welcomed the additional £1.3bn investment in core school funding. We are concerned that this is not new money but has been derived from efficiencies and budget adjustments within the DfE's existing overall budget. ASCL would recommend that DfE prioritise a thorough review of their own resource spending, as schools have been required to do. According to DfE published estimates to the ESC ¹⁸ the delegated resource budget for DfE will increase by over £4bn between 2017 and 2020.

2. Whether the spending review cycle is the best mechanism for determining overall expenditure on schools and colleges, and what the level should be.

- 38 The spending review cycle is not the best mechanism for determining education expenditure. Schools and colleges need rolling three year budget settlements if they are to effectively budget plan and risk assess curriculum delivery and teacher supply

¹⁶ <https://www.nao.org.uk/report/financial-sustainability-in-schools/>

¹⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/633031/SFR37_2017_Main_Text.pdf

¹⁸ https://www.parliament.uk/documents/commons-committees/Education/Department_for_Education_2017-18_Main_Estimate_Memorandum.pdf

requirements. The sector needs a guarantee that it will be funded sufficiently, that the settlement will include real terms protection against inflation including fully funding all nationally agreed pay settlements.

- 39 The ESFA require academies to submit three year budget forecast returns and if this is to be meaningful and inform policy, transparency and predictability at school level must be available. In the current cycle this means that for year three (2020/2021) schools have no indication of their budget settlement as it sits outside the current spending review period. We support 3-5 year strategic planning at school level but this must be underpinned by availability of guaranteed budget settlement data.
- 40 The ONS pupil projections (SFR31/2017)¹⁹ indicate that between 2017 and 2026 there will be an additional 534,000 pupils in state funded secondary education and 102,000 additional primary age places required. Whilst we know that a significant number of additional school places are required we have no guarantee that the required funding will be in place to deliver a high quality provision.

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

- 41 The pupil premium, introduced in April 2011, was intended to provide additional funding for disadvantaged pupils to ensure that they benefitted from the same opportunities as pupils from better-off families – to support the work of schools as ‘engines of social mobility’ – *EPI report ;Divergent Pathways*²⁰
- 42 The EEF²¹ in their report of 2015, consider the efficacy of FSM entitlement as a proxy for deprivation, given that contributory factors including the national economic climate and changes to the benefit system will have an impact. ASCL broadly agrees that the policy focus might be better aimed at improving outcomes for disadvantaged pupils, rather than narrowing the gap.
- 43 A serious question remains; is 100% PPG reaching the disadvantaged pupils for whom it is intended? Evidence indicates that as school budgets are squeezed, PPG may, of necessity, be subsidising core provision.
- 44 ASCL tends to agree with EPI and EEF who recommend continuation of the grant and that it should continue to sit outside the DSG, and with the provision that per pupil amounts are protected in real terms and are not diluted as pupil numbers grow. Changes to FSM eligibility criteria have been introduced to reflect the roll out of Universal Credit and it is likely that during the transition phase there will be an increase in the FSMEver6 cohort. Government must ensure that this period of turbulence does not manifest itself in the dilution of the targeted PPG.

Other targeted funding

- 45 ASCL have concerns that other areas of targeted funding may represent a trade-off between accessible ‘additional’ income streams and an administrative burden to the

¹⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/627044/SFR31-2017_Projections_Tables.xlsx

²⁰ <https://epi.org.uk/wp-content/uploads/2018/01/disadvantage-report.pdf>

²¹ <https://www.suttontrust.com/wp-content/uploads/2015/06/Pupil-Premium-Summit-Report-FINAL-EDIT-1.pdf>

system. We think that the complexity of the system is such that it has created a bidding culture, for which there is no guarantee of success but results in burdensome costs of bureaucracy and an outflow of public money to the private sector.

4. The practical implementation of the national funding formula

- 46 ASCL welcomed the introduction of a national funding formula (NFF). Equitable distribution of revenue funding that facilitates every child having fair access to what they need to succeed underpins the ASCL principle that education is for the common good and that government has a role to play in ensuring that the system serves all equally well.
- 47 The NFF is a distribution methodology, and could never address the current insufficiency in the system. However the NFF's potential for delivering equity of distribution will not be realised until there is a clear road map for the transition to hard NFF. The roadmap must include confirmation of sufficient funding so that:
- All four blocks within the DSG are adequately funded to mitigate the risks of transfer between blocks. (See paragraph 35). This flexibility perpetuates the inadequacy of the current system.
 - The date for the move to a hard NFF can be confirmed along with longer term protections, where necessary, and shorter transitions (three years) for low funded schools.
 - Funding currently targeted at central services block historic costs, will remain in the DSG baseline. This means that as historic costs are reduced the funding can be reallocated to support core education funding.
- 48 We believe there are some very practical steps associated to the implementation that require further consultation. These include
- The need for a single funding year; currently maintained and academy schools operate different funding years;
 - Changes in audit requirements for maintained schools, should they be required to report expenditure back to the ESFA directly.
- 49 We hope that this is of value to your inquiry, ASCL is willing to be further consulted and to assist in any way that it can.

Julia Harnden
Funding Specialist

Association of School and College Leaders
30 May 2018

ASCL would like to thank Susan Fielden (School Finance Specialist: Effervesce Ltd) for her advice regarding this response.