



## Debate on school funding – briefing from the National Association of Head Teachers (NAHT)

NAHT represents more than 29,000 school leaders in early years, primary, secondary and special schools, making us the largest association for school leaders in the UK. We represent, advise and train school leaders in England, Wales and Northern Ireland. We use our voice at the highest levels of government to influence policy for the benefit of leaders and learners everywhere. Our new section, NAHT Edge, supports, develops and represents middle leaders in schools.

### Fair funding

NAHT welcomes moves to a national funding formula for education. This is something we have campaigned for over the last few years and believe that a national formula can create greater consistency and clarity in how funding is allocated between schools, and ensure that funding reflects the characteristics of a school or academy's pupils. This is the right thing to do, but can only succeed if there is sufficient funding for all schools and academies – without that the introduction of the formula could deepen the financial disadvantage already faced by many schools.

The DfE have set out their indicative allocation for each school and academy under the new National Funding Formula. In addition, the National Audit Office's work has analysed the DfE's own recognition that by 2020, schools will face a real terms drop of £3 billion a year due to the impact of increased costs. Combining these sets of DfE data points, it is estimated that there will be a £339 loss for every primary age pupil and a £477 loss for every child in secondary by 2019/20. 98 per cent of schools will see an overall cut, as highlighted by the [School Cuts](#) website, of which NAHT is a partner.

Russell Hobby, general secretary of NAHT, has said: "School budgets are being pushed beyond breaking point. The government's £3 billion real terms cut to education funding must be reversed or we will see education and care suffer. Already heads are being forced to cut staff, cut the curriculum and cut specialist support. A new funding formula is the right thing to do, but it cannot be truly fair unless there is enough money to go round in the first place."

### Rising costs

- **Staffing costs:** School budgets have been protected in cash per pupil terms so that any increases to costs represent a cut in school funding in real terms. In particular, increases in the cost of employer's contributions to national insurance and pensions of over 5.5% have had a big impact on schools, with a strong possibility of further increases as the government shifts responsibility for future pension shortfalls to the education budget. These changes will have an enormous impact on school and academy budgets year on year as payroll costs typically represent 75-80 per cent of school budgets.
- **Apprenticeship levy:** The further imposition of the apprenticeship levy of 0.5% on some academies and all maintained schools from April 2017 will have a significant impact. All maintained schools will have to contribute to the levy. Whilst only 1% of employers nationally will have to pay this levy, the way that the government are implementing this means that all maintained schools and most academies will have to pay an extra 0.5% levy on their payroll costs. Our head of policy has set out NAHT's concerns in an article for Prospect, see [here](#).

### High needs funding

The government's proposals for a new high needs funding formula, and the indicative allocation for the first year from September 2018, highlight a £124 million shortfall that means that local authorities in some of the most deprived areas of the country will continue to be underfunded to support children with complex needs. The post code lottery will persist for children with SEND unless this is addressed.

### NAHT funding survey

On Monday 23 January, we launched our Breaking Point [survey](#) for 2016/17, following a survey of members on what the funding situation is like in their school. This found that:

- The number of schools currently in deficit has more than doubled since our 2015 survey (up 10 percentage points from 8 per cent to 18 per cent)
- Nearly three quarters (71 per cent) of school leaders are only able to balance their budgets by making cuts or dipping in to reserves.

- 72 per cent of school leaders say their budgets will be unsustainable by 2019.
- Increases in payroll costs as a result of government policies were cited as schools' biggest financial pressures. These costs went up in 2015 and have resulted in an increase to school budgets of over 5.5 per cent every year, but there has been no resulting increase in funding from the government.
- 47 per cent of survey respondents reported the decline of local authority services as a cost pressure on schools, in particular the abolition of the Education Services Grant (ESG) to local authorities which is being passed through to schools. 65 per cent of academy school leaders told us they are concerned about the impact of cuts to ESG.
- The third most quoted source of financial pressure reported by school leaders was the cost of dealing with the additional needs of pupils, reported by 83 per cent of respondents. Members have expressed serious concerns about the extra pressure they are facing to support the growing number of children with mental health issues.
- The most commonly reported cost saving was reducing investment in equipment, which 85 per cent of respondents said they were having to do.

### **NAO report 'Sustainability of School Funding'**

In December 2016, the NAO published a report on "Sustainability of school funding"

- There will be an 8.0% real-terms reduction in per-pupil funding for mainstream schools between 2014-15 and 2019-20 due to cost pressures
- Mainstream schools will need to make savings of £3bn by 2019-20 to counteract cost pressures
- 60.6% of secondary academies spent more than their income in 2014/15
- The Department's overall schools budget is protected in real terms but the amount of funding per pupil does not increase in line with inflation. Funding per pupil will, on average, rise only from £5,447 in 2015-16 to £5,519 in 2019-20; a real-terms reduction once inflation is taken into account.

### **What NAHT is calling for**

1. The funding settlement for schools is insufficient to meet inflationary and policy costs on schools and must be uplifted. Without this, the national funding formula will not succeed.
2. The government must reverse its decision to cut £600 million from the Education Services Grant (ESG), used by councils for school improvement, special needs pupils, and to plan for school places. There must be the proper recognition of the services currently still being delivered by most local authorities.
3. The DfE must consider the impact of the planned apprenticeship levy on schools. As a minimum, small maintained schools should receive the same protections as small academies and be excluded from the obligation.
4. The government must allow local authorities to share data on benefit claimants in schools, allowing pupils to be auto-registered to receive free school meals, and schools the attached pupil premium funding. This would mean that all children would receive the support that they are entitled to, and all schools receive the appropriate level of pupil premium to support the attainment of our most vulnerable pupils. The government can use the Digital Economy Bill to make this change.
5. The government's proposals for high needs funding highlight a £124 million shortfall that means that local authorities in some of the most deprived areas of the country will continue to be underfunded to support children with complex needs. The post code lottery will persist for children with SEND unless this is addressed.
6. The early years phase of education presents the best opportunity to close the attainment gap between children from disadvantaged households and their peers. In order to support this, the early years phase should be eligible for the same amount of pupil premium as the primary phase. Currently the sector receives 75% less.

### **Contact**

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