Comprehensive Spending Review 2019 – NEU Submission

Introduction

In order to determine the funding which schools and colleges need, we must first be clear what we want from our education system. Like health, education is an essential public service and funding shortfalls must be addressed effectively.

Schools and colleges should be funded sufficiently to enable them to meet the UNESCO definition of the role of education[1]: *"Education must be a means to empower children and adults alike to become active participants in the transformation of their societies. Learning should also focus on the values, attitudes and behaviours which enable individuals to learn to live together in a world characterized by diversity and pluralism*."

Schools and colleges should also be resourced to support the growth in skills in our society and to contribute to the achievement of more equal outcomes.

Productivity is a key issue for the UK economy. UK productivity lags significantly behind other leading Western economies like Germany and the USA. This gap can only be addressed by investment in our economic infrastructure and in our skills base. That means investing more in education, not cutting education funding still further as a percentage of GDP.

Education is essential to improving social mobility and equality. The OECD has noted that *"the highest performing education systems … give all children opportunities for a good quality education."*[2] UK spending on educational institutions as a percentage of GDP from public sources was lower in 2014 than in Belgium, Denmark, Finland, Norway and Sweden.[3] Cuts since 2014 are likely to have worsened the relative position of the UK.

The current funding position

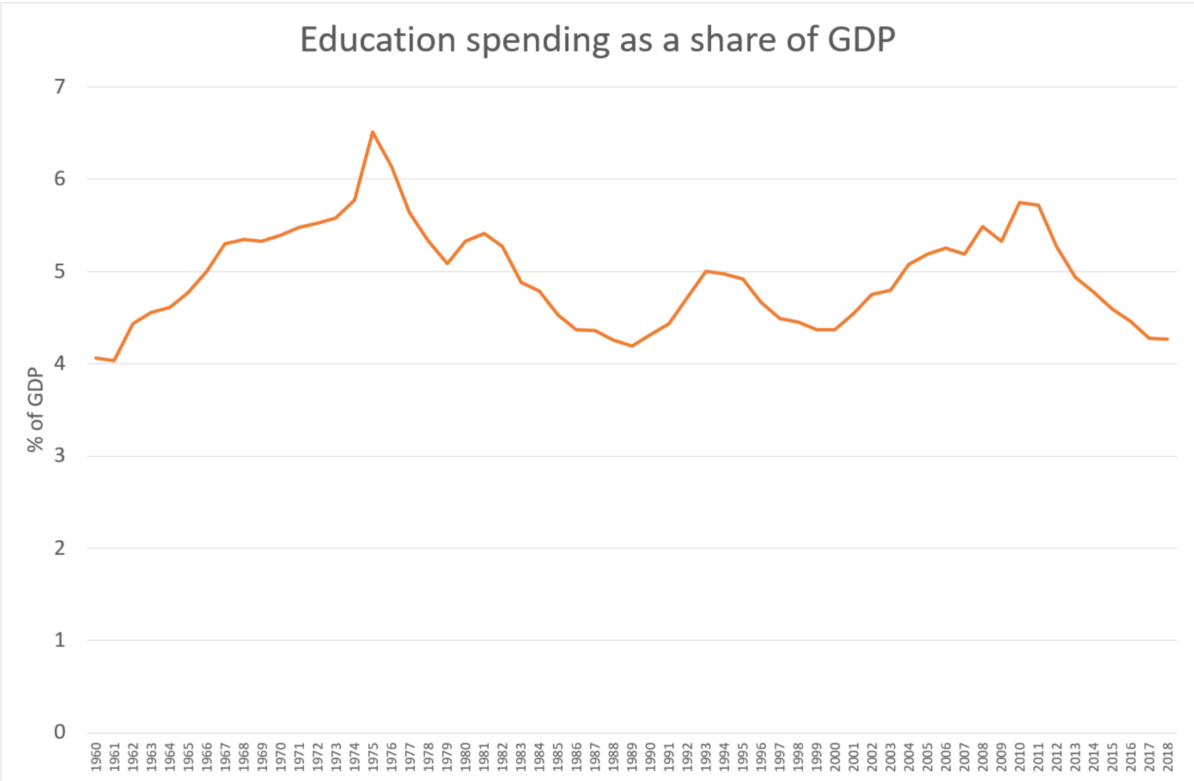
The Government has consistently sought to avoid meaningful debate on education funding by pretending that there is no problem. The National Funding Formula is being implemented with inadequate resources, levelling down provision and making no credible assessment of the needs of schools. The Government repeats that more cash than ever before is going into the education system. In pure cash terms, it is of course correct.

In fact, since 2015, billions have been cut from school budgets when the impact of inflation and additional costs imposed on schools are taken into account. The impact of the cuts on schools has been highlighted by the School Cuts website (www.schoolcuts.org.uk), designed and maintained by the National Education Union. The overwhelming majority of schools face real terms cuts compared with 2015-16.[4] The Government's position on education funding has been comprehensively discredited by the evidence from those working in schools and

1 www.unesco.org/new/en/social-and-human-sciences/themes/fight-against-discrimination/role-of-education/
2 www.oecd.org/education/school/50293148.pdf
3 www.oecd-ilibrary.org/education/education-at-a-glance_19991487
4 https://schoolcuts.org.uk/#!/

colleges, as well as by influential organisations such as the National Audit Office and the Institute for Fiscal Studies.[5]

These real terms cuts have undermined planning and stability. Schools and colleges have to firefight instead of being able to plan with confidence. We know from our members that schools and colleges are experiencing major problems: bigger class sizes, reduced curriculum options, job losses, and a lack of funding for learning materials resulting in school staff and parents using their own money to support provision.[6] Spending on education as a proportion of GDP has dropped sharply since 2010.



Education spending as a percentage of GDP is approaching its lowest level since 1960. Previous troughs in the late 1980s and late 1990s were finally met with significant funding responses from the Government. The Government ultimately has to decide what type of country it wishes us to be - a low-wage, low-skill, low-investment economy, or a high-investment, high-skill, high-productivity economy, leading to high wages for its citizens.

The education sector faces the additional hurdle of an increase in teacher pension costs of 7.2 per cent from September 2019. These increased costs have occurred primarily because of HM Treasury's unilateral decision to cut the 'discount' rate for public sector pensions twice in one valuation cycle – from CPI

5 www.nao.org.uk/wp-content/uploads/2016/12/Financial-sustainability-of-schools.pdf; https://www.ifs.org.uk/publications/9818; https://www.independent.co.uk/news/uk/politics/school-funding-england-fall-5-per-cent-by-2019-ifs-fiscal-studies-education-justine-greening-a7846381.html
6 https://neu.org.uk/funding

+ 3 per cent to CPI +2.8 per cent, and then from CPI + 2.8 per cent to CPI + 2.4 per cent. Additional costs may arise as a result of the McCloud and Sargeant court cases – again caused by Government decisions around public sector pensions. The education sector should not have to pay for the Government's mistakes.

How much extra funding does the education sector need to reverse the cuts?

The previous section showed there have been cuts to spending in the education sector over a long period. Schools have suffered serious cuts to their funding since 2015. Cuts to 16 – 19 education and school buildings started in 2010.

This section summarises the investment the Government needs to make in the Spending Review to put this right. The calculations are drawn from NEU analysis and a full explanation is available in the accompanying Spending Review Methodology paper.

For 2019/20

- Schools Block spending is £36.1bn in 2019/20 (including Teacher Pay Grant & Pensions Grant). Schools Block needs an additional £2.3bn to restore funding to 2015/16 levels.

- High Needs Block is £ 6.3bn in 2019/20 (including Teacher Pay Grant & Pensions Grant). High Needs block needs an additional £1.7bn to restore funding to 2015/16 levels based on the higher number of pupils now with EHCPs.

- Early Years Block is £3.5bn in 2019/20. It needs an additional £370m to restore funding to 2015/16 levels.

- Pupil Premium is expected to be £2.4bn in 2019/20 and needs an additional £340m to restore it to 2015/16 levels.

- Funding for 16-19 education is expected to be £5.7bn in 2019/20 and needs an additional £1.1bn to restore it to the 2010/11 level.

- Capital investment is £5.1bn in 2019/20 and needs an additional £2.5bn to restore it to the average of the 2007-2011 level.

- Across all these areas in total, education funding for those aged 2-19 needs an additional £5.9bn in revenue funding and £2.5bn in capital funding a year.

By 2022/23

- If the Government increases education funding in line with inflation and funds the increase in employer pension contributions, the funding gap for revenue will grow to £8.6bn a year and the shortfall in capital spending will increase to £2.6bn a year by 2022/2023.

A new approach to funding

Government policy on education funding should be evidence-based. The current approach to determining the overall budget, however, does not base decisions on a robust and objective assessment of what schools and colleges need to deliver a high-quality education service. The Spending Review process does not seek to assess the impact of shortfalls in school and college funding.

We need a funding system based on a bottom-up construction of the required level of overall funding, so that we properly identify and understand the budget required – not the current system which simply divides up a pre-determined amount determined politically rather than on the basis of schools' needs. The Gonski Review in Australia is an example of an initiative in pursuit of a new national funding model showing how policy makers can use objective measures of need in order to identify the necessary level of education spending.

Spending on education is an investment, generating multiple gains in return. Education should be funded at a level that allows all of our children and young people to reach their full potential, securing huge economic and social gains.

Securing long-term funding at the right level would not only give schools and colleges the security and stability they need to carry out their work effectively – it would enable the Government to meet other key education policy goals like tackling teacher recruitment and retention, and improving social mobility.

The approach we advocate would include consideration of the full range of factors that influence the delivery of high quality education. These include lower class sizes; increased non-contact time for teachers; effective action to limit workload; the competitive pay levels and career progression needed to attract and retain good motivated education professionals; and support for high quality professional development. While we recognise that these can be seen as political choices, we think they are essential choices. We make no apology, therefore, for choosing to describe our approach as a "needs-led" approach to funding.

A needs-led funding system should identify and resource the full range of cost factors in education. As well as the cost of the desired curriculum and the staffing to deliver it, examples would include the costs of desired support services, provision for pupils with SEND, and other matters such as home to school transport, premises costs and contingency funding.

Investing in teachers

Investment in education requires improving pay for teachers. Teachers have suffered real terms pay cuts of around 15 per cent on average since 2010 and have seen pay and career progression hit by the imposition of PRP alongside cuts to school and college funding. Investing in teachers and support staff is essential. We should be ensuring that pay levels reflect the vital job done by education professionals, not cutting pay in real terms year after year and blocking incremental progression. As a result, the teaching profession struggles to recruit and retain teachers when it should be the career of choice for graduates.

A first class education service is essential if we are to secure the nation's economic future, but teacher recruitment and retention is in a critical state. Teaching must be enabled to compete effectively in the graduate employment market. In order to do this, the entrenched and worsening teacher supply problems must be addressed.

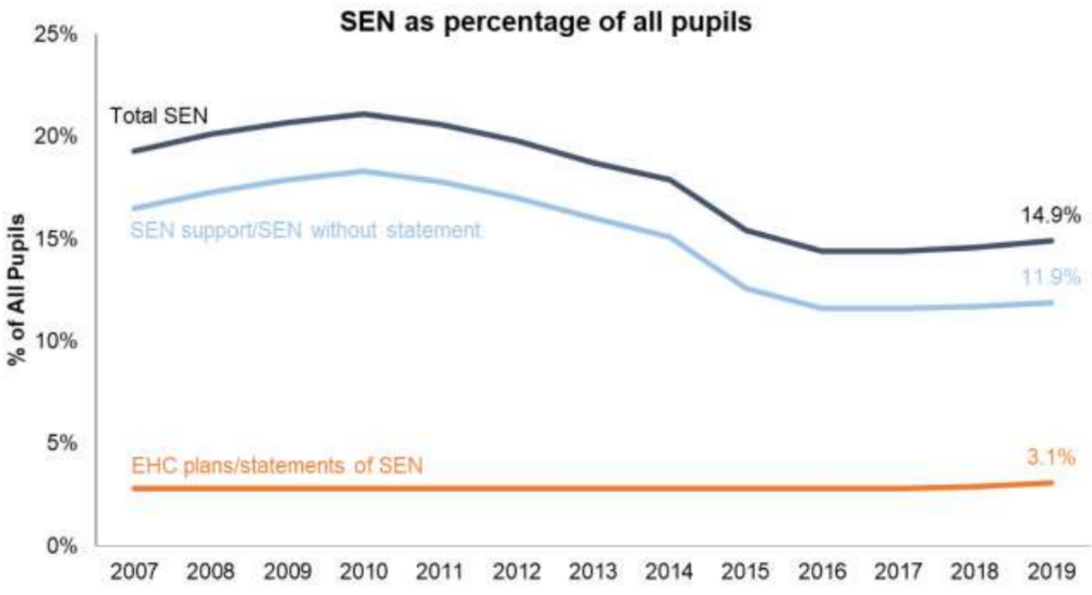
Any solution to the recruitment and retention problems must be holistic and must involve additional investment to secure significant improvements in teacher pay across the professional journey, so that we retain the teachers we recruit. We must support pay progression to recognise teachers' acquisition of professional expertise, and provide clear career progression opportunities including high-quality CPD.

The Government must use the Spending Review to send an unambiguous signal to current and potential teachers that it will invest in education and that it recognises that no education system can exceed the quality of its teachers.

Furthermore, concrete plans and resources are needed to tackle teacher workload and improve recruitment and retention. Instead of driving teachers and support staff out of the profession, we should be providing the resources necessary for them to succeed.

Specific elements of the funding system

<u>Funding for special education needs and disability (SEND)</u>
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.



The number of pupils recognised as having a special educational need has fallen from a high of 21 per cent in 2010 to 14.9 per cent in 2019. However, Government policy of reducing the number of pupils on the SEN Register has resulted in a dramatic rise in the number of pupils with an EHC Plan. This shift from high incidence / low cost provision to low incidence / high cost provision is set to drive up the cost of High Needs provision for the foreseeable future. Should the Government try to reverse this expensive policy it will take some years before costs start to fall again.

The number of EHCPs assigned to children and young people has increased by 38 per cent since 2015, whilst the High Needs budget has only risen by 8 per cent in real terms to 2019-20. Funding alone will not drive high quality SEND provision but is it an essential element.

National Education Union analysis indicates that as a result of government funding shortfalls, the High Needs block has lost out on more than £1.5 billion a year since 2015 assuming the 2019/20 number of pupils were funded at the 2015/16 rate. NEU analysis also indicates that 93 per cent of local authorities were facing funding shortfalls in April 2019 compared to 2015/16. These losses are compounded by the additional strain that wider budget cuts have placed on local authorities. This has led to a severe reduction of resources from external agencies and increasing pressure on schools.

The government has acknowledged this in recent months through providing £350 million of additional funding for High Needs provision, whilst emphasising this action as only a 'partial response' to the crisis in SEND funding and that 'more needs to be done'.[7] The NEU agrees, more does need to be done for SEND and as a matter of urgency.

Post-16 funding

Sixth Form colleges and FE Colleges have seen large reductions in funding since 2010, of some 22 per cent in real terms in Sixth Form Colleges and 30 per cent in FE Colleges. These institutions also have to pay VAT on goods and services, from which schools and academies are exempt.

Staffing costs have been reduced from 70 per cent to 65 per cent in FE colleges and have a target of 63 per cent. Sixth Form Colleges are also seeing similar reductions. Staff costs cover a variety of elements such as: staffing mix; teacher salaries; teaching contact hours; class or group size; teaching hours per learner; and CPD (*AoC 2018 Report on College Finances*). Austerity measures have cut into all of these areas due to pressures put upon colleges by reductions in government funding to the sector. Ensuring college budgets have the latitude to respond to learner need and workforce flexibility means supporting college finances to have staff costs above 70 per cent of budgets.

Pay levels in FE colleges are now 80 per cent of that of maintained teachers in schools which has an impact on recruitment, retention and morale. The NEU believes that the Government needs to ringfence pay and ensure a robust mechanism for sector bargaining in the post-16 sector that ensures adequate pay deals can be made and implemented. We also see variations in Sixth Form Sector pay with the fracturing of Sixth Form Academies from Sixth Form Colleges and the discrepancy of the teachers' pay grant paid to the former and not the

7 https://neu.org.uk/sites/default/files/2019-04/Letter%20to%20NEU%20.pdf

latter. Government needs to ensure a coherent institutional and reward framework for all staff in the post 16 sector.

Early Years funding

Good quality early years education improves social mobility and reduces the attainment gap between children from deprived backgrounds and their peers. The government's approach, however, has focused on delivering its childcare initiative rather than on good quality provision. There are only 392 maintained nursery schools left in England and many are facing closure due to increased costs and insufficient government funding. The additional £60 million for maintained nurseries announced recently is covering the financial cracks, but is not guaranteed beyond 2020. Meanwhile, in the private nursery sector, private providers are either opting-out of the 30-hour provision or only providing a basic level of provision using less qualified and experienced staff.

Maintained nursery schools educate 40,000 children. 64 per cent of nursery schools are in the 30 per cent of most deprived areas of England and for many families, especially those who have children with SEND, they are the only opportunity for early education. Every child should be able to access early education and get the best start in life - and nursery schools make this possible.

The lack of funding and uncertainty about the future means that without more money, many maintained nursery schools will become unviable and will be forced to close, some as early as September 2020. The quality of provision in others will inevitably suffer without proper investment and resources.

Whatever mechanism the Government decides to use to determine the Early Years' budget, funding should meet the cost of delivering good, high quality education and care. It cannot be static and must increase over time. The current approach is failing to improve outcomes for children and will not advance social mobility.

Capital Funding

The National Audit Office in its 2017 report 'Capital Funding for Schools'[1] highlights that £6.7 billion is 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. 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. 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. A substantial increase in capital funding is needed to ensure the school estate is safe, sustainable and conducive to learning and wellbeing. Within this, earmarked funding is needed for the phased removal of asbestos, starting with the most dangerous cases. If this issue is not addressed as a matter of urgency, lives will continue to be cut short through exposure of asbestos fibres.

[1][1] https://www.nao.org.uk/wp-content/uploads/2017/02/Capital-funding-for-schools.pdf

In the absence of a programme of phased removal, schools are not adequately resourced for costs relating to asbestos management. This places schools with substantial amounts of asbestos at a considerable disadvantage. This is particularly the case for system-built schools where asbestos is embedded into the structure, because the cost of maintenance and renovation (not to mention the burden on school leaders) is likely to be far greater. Given the current acute funding pressures, this situation will only worsen.

Ending Child Poverty

Child poverty is a predictor of educational attainment; research by the Joseph Rowntree Foundation shows that "children growing up in poorer families emerge from school with substantially lower levels of educational attainment".[8] The same research states that this, in turn, impacts social mobility.

The End Child Poverty coalition recently published research showing that 30 per cent of children are currently living poverty.[9] Furthermore, in areas where child poverty is already high level, it is increasing. For example, in Poplar and Limehouse, child poverty has risen 4 per cent since 2016/17 to 58 per cent. In May 2019, a report by the UN Special Rapporteur on Extreme Poverty and Human Rights stated that by 2021, 40 per cent (almost one in two) children in Britain will live in poverty.[10] The Institute for Fiscal Studies predicts that over five million children will live in poverty by 2022.[11]

Teachers have told us of the impact of poverty on children's learning in the classroom. In a poll carried out in December 2018, 85 per cent of respondents told the NEU that the impact of poverty resulted in behavioural issues, 83 per cent said that there are increased absences from school and 81 per cent stated that children from poor families lack concentration. Teachers tell us that this is because these children arrive at school hungry and inadequately clothed.

The situation outlined above will result in a social and economy calamity in the future. The burgeoning number of children living in poverty are much more likely to become NEET.[12] Being NEET can have a detrimental effect on physical and mental health, and increase the likelihood of unemployment, low wages, or low quality of work later. Besides having distressing impact on individuals and their life chances, being NEET has a huge cost to the economy. Research for the Audit Commission shows that at 2008 levels, NEETs cost the public purse £12billion at the lowest estimate and £32.5billion at the highest.[13]

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8 Goodman A. and Gregg P. (eds.), *Poorer children's educational attainment: how important are attitudes and behaviour?*, Joseph Rowntree Foundation, 2010.

9 Hirsch D. and Stone J., *Local indicators of child poverty, 2017/18: Summary of estimates of child poverty in small areas of Great Britain, 2017/18*, End Child Poverty, 2019.

10 Alston P., *Visit to the United Kingdom of Great Britain and Northern Ireland: Report of the Special Rapporteur on extreme poverty and human rights*, United Nations, 2019.

11 Hood A. and Waters T., *Living standards, poverty and inequality in the UK: 2017–18 to 2021–22,* The Institute for Fiscal Studies, 2017.

12 Powell A., *NEET: Young People Not in Education, Employment or Training*, House of Commons Library, 2018.

13 Coles B., Godfrey C., Keung A., Parrott S. and Bradshaw J, *Estimating the life-time cost of NEET: 16-18 year olds not in Education, Employment or Training*, Audit Commission, 2010.

Government must implement a comprehensive strategy to reduce child poverty. This will require that the Department for Education works across government departments, including with the Department for Work and Pensions. A child poverty reduction strategy must include uprating benefits (including housing support) in line with inflation; making up the loss in value in children's benefits from the freeze of the last 8 years; and ending the two-child limit on child related benefits; and reforming Universal Credit.

Child poverty also puts pressure on schools' budgets. Teachers tell us that, to support children living in poverty, their schools are funding extra breakfast and holiday clubs, providing and washing children's clothing, and supplying children with the equipment they need to learn.