

Where has all the money gone?



Since 2010, when the Government embarked on real-terms cuts to education funding as part of its austerity programme for public services, the NASUWT has campaigned for increases to school funding.

The Government claims to have protected the national core schools budget since 2010 and that it continues to do so.

On 31 January 2017, Nick Gibb MP, Minister for School Standards, stated to the House of Commons Education Committee: *‘You say “underfunding”, but we are spending more today on core school funding and high needs than in our history. We are spending £40 billion and that figure is set to rise over the next three years, as pupil numbers rise, to £42 billion.’*

At the same time, some education stakeholders claim that schools in England will have to lose thousands of teachers because of savage spending cuts.

Some schools have responded to a perceived funding crisis by trying to charge parents hundreds of pounds per year in ‘voluntary contributions’ – essentially, to charge fees for state education.

So, just what is happening to school budgets in England?

School funding has been squeezed since 2010

Since 2010, and despite Government assurances to the contrary, funding for schools and education has not been protected in real terms.

The Institute for Fiscal Studies has compared spending on education before 2010 with the Government’s austerity programme for schools from 2010 onwards:

‘Growth was particularly fast from the late 1990s through to the late 2000s, with real-terms growth averaging about 5% per year between 1998-99 and 2010-11. Education spending has since fallen in real terms as spending cuts began to take effect from 2010 onwards. Between 2010-11 and 2015-16, it has fallen by about 14% in real terms.’¹

Moreover, school funding continues to be squeezed through to 2019/20. Minister Nick Gibb’s statement to the House of Commons Education Committee is not a promise of increased funding, but rather a statement that per-pupil funding will remain static in cash terms as pupil numbers increase.

The funding which schools receive often does not reach the front line

Despite the school funding squeeze since 2010, much education spending still does not reach the front line. Substantial levels of unspent reserves, inefficient and wasteful school-level procurement, together with excessive levels of academy trustee and CEO leadership pay, are now hardwired into the school system. The NASUWT believes that there is need for urgent change in these areas, so that the available school and academy trust funding is used appropriately to support teachers to secure the best outcomes for all pupils.

In its evidence to the School Teachers’ Review Body (STRB) in connection with the 2018/19 teachers’ pay award, the Department for Education (DfE) admitted that under 50 per cent of the expenditure in the local authority maintained sector is spent on teachers.

¹ Institute for Fiscal Studies, *Long-run comparisons of spending per pupil across different stages of education*, February 2017.

The STRB has made it very clear that schools should focus their budgets on teachers' pay, but there is inadequate oversight of schools by the DfE to ensure that this recommendation is being followed. The Government bears responsibility for the failure of some schools to spend their funding on teaching and learning purposes.

For example, DfE published data indicates that one large multi-academy trust (MAT) had a total income of £22.53 million in 2015-16, of which £3.93 million, or 17.4 per cent, was spent on back office costs; £896k, or 4.0 per cent, was spent on educational consultancy; £8.89 million, or 39.5 per cent of overall academy trust income, was spent on teachers' salaries, which is much less than the average spend across the academy sector which stands at 50.1 per cent. In fact, the spend in the MAT on back office and consultancy costs is more than half of that spent on teachers' salaries. The freedoms and flexibilities given to the academy sector have led to this situation and the Government, as well as the individual MAT, must bear the responsibility for this.

Local authority maintained schools

As of 31 March 2017, the total unspent balance across all local authority maintained schools was £1.7 billion.²

The proportion of schools with a surplus was 90.0% on 31 March 2017.

The average surplus in each school with a surplus is £131,000.

The average surplus in each primary school with a surplus is £108,000 and the average surplus in each secondary school with a surplus is £373,000.

For illustrative purposes, if the amount held in unspent balances in maintained schools in England is divided by the total number of teachers (in both maintained schools and academies), the unspent balance per teacher in England is £3,717. If the unspent reserve in the academy sector is taken into account in the calculation, the figure per teacher would be far higher.

For those schools which are in deficit, this does not necessarily mean that the school is experiencing funding difficulties. Many schools experience short-term deficits because of increased pupil numbers which have led to greater expenditure to meet pupil needs. Funding for increased pupil numbers (known as 'growth' funding) is usually given to schools at least one year after the increase in pupil numbers has occurred.

Academy trusts

In October 2017, the DfE published its first full *Academy Schools Sector in England: Consolidated annual report and accounts*. This confirmed the level of surpluses in academies:

'The sector reported an operating surplus of £534 million for the year ended 31 August 2016. This represents an average operating surplus of approximately £90,000 for each individual academy school.

*At 31 August 2016, 2,819 trusts had cumulative surpluses, with a total cumulative surplus of £2,287 million [i.e. £2.3 billion], 165 ATs had a cumulative deficit, with a total deficit figure of £50 million.'*³

² Department for Education, *Expenditure by Local Authorities and Schools on Education, Children and Young People's Services in England 2016-17*, 2017.

³ DfE, *Academy Schools Sector in England: Consolidated annual report and accounts*. For the year ended 31 August 2016, 1.2 and 1.3, 2017.

Government evidence to the Parliamentary Public Accounts Committee on 12 October 2017 was that surpluses across local authority maintained and academy schools amounted to £4.3 billion.

The excessive reserves held by academy trusts have been commented upon by Ofsted. In March 2016, Her Majesty's Chief Inspector of Schools (HMCI) wrote to the Secretary of State for Education to make the following observation about seven MATs:

*This poor use of public money is compounded by some trusts holding very large cash reserves that are not being spent on raising standards. For example, at the end of August 2015, these seven trusts had total cash in the bank of £111 million. Furthermore, some of these trusts are spending money on expensive consultants or advisers to compensate for deficits in leadership. Put together, these seven trusts spent at least £8.5 million on education consultancy in 2014/15 alone.*⁴

In July 2017, the DfE published data providing details of income and expenditure in the academy sector for the 2015/16 school year. This demonstrated that expenditure on teaching staff as a proportion of total expenditure had fallen by 3.2% since 2011/12 when the data was first collected. However, expenditure on 'back office' costs had risen. The DfE also confirmed that expenditure on teaching staff is now only 50.1% (or just over half) of total academies' expenditure.

At the same time, back office costs in academies are running at 11.5% (£2.21 billion), whereas expenditure on teaching assistants is only slightly higher, at 11.8% of academies' total spending.

Spending on educational consultants by academies runs to over £172 million, which is somewhat ironic given that one of the Government's claims about the academy sector is that it brings school improvement expertise to the school system.

Excessive spending on academy trustee and chief executive pay

Within the academy sector, it has not been a case of austerity for everyone.

In some academy trusts, greed, excess and waste have run out of control.

In many academy trusts, there is excessive spending on trustee pay (which includes CEO and executive headteacher pay). The DfE has reported that in 2015/16 (which are the most recently published DfE figures), academy trusts made 102 payments of over £150,000 to trustees. In many cases, these were single academy trusts. All in all, 843 payments of over £100,000 were made by academy trusts to trustees in 2015/16, which was 30 more than in 2014/15.

Even Ofsted has commented on this issue, stating that: *'Salary levels for the chief executives of some of these MATs do not appear to be commensurate with the level of performance of their trusts or constituent academies. The average pay of the chief executives in these seven trusts is higher than the Prime Minister's salary, with one chief executive's salary reaching £225k.'*⁵

There is an inadequate level of DfE scrutiny and therefore public accountability of spending by MATs. The Government frequently masks excessive levels of leadership

⁴ DfE, *Statistical First Release (SFR) 32/2017*, 2017.

⁵ HMCI, *Focused inspections of academies in multi-academy trusts*, March 2016.

and CEO pay when reporting income and expenditure in academies. An example of this is that the DfE chooses only to group all salary levels of £150k plus into one category for reporting purposes, when individual academy trust annual reports and accounts reveal that CEO pay is often much higher than this. For example, in one academy trust, the highest paid employee earned an annual salary in 2015/16 of between £420k and £430k.

The DfE revealed in its first academy sector annual report and accounts that, in 2015-2016, there were 122 academy trusts which paid at least one employee over £150,000 per year. Twenty-nine of these were single academy trusts, one of which had only 355 pupils and 19 teachers.

The list of academy trusts paying at least one employee over £150k per year is as follows:

Academies Enterprise Trust
Academies South West
Academy Transformation Trust
Alexandra Park School
Ambitions Academies Trust
Aquinas Church Of England Education Trust Limited
ARK Schools
Ashlawn School Academy Trust
Ashmole Academy Trust Ltd
Aspirations Academies Trust
Avonbourne International Business And Enterprise Academy Trust
Barnet City Academy
Blackbird Academy Trust
Bourne Education Trust
Bradford Academy Trust
Brampton Manor Trust
Brigantia Learning Trust Limited
Bright Futures Educational Trust
Burntwood School
Carmel Education Trust
Carshalton Boys Sports College
Central Learning Partnership Trust
Chingford Academies Trust
City Learning Trust
City Of London Academies Trust
Cranford Community College
Creative Education Trust
Dixons Academies Charitable Trust Ltd
Durrington Multi Academy Trust
E-ACT
Exmouth Community College
Gateway Learning Community
GLF Schools
Graveney Trust

Green Spring Education Trust
Greenwood Academies Trust
Guru Nanak Sikh Academy Limited
Haberdashers' Aske's Federation Trust
Harris Federation
Hatton Academies Trust
Highcliffe School
Hillyfield Primary Academy
Holland Park School
Holy Family Catholic Multi Academy Trust
Inspiration Trust
Ivybridge Academy Trust
Joseph Leckie Academy Trust
King Edward VI Handsworth School
Knole Academy Trust
L.E.A.D. Multi-Academy Trust
Landau Forte Charitable Trust
Leaf Academy Trust
Leigh Academies Trust
Lion Academy Trust
Loxford School Trust Limited
Matrix Academy Trust
Ninestiles Academy Trust Limited
Northern Schools Trust
Oasis Community Learning
Oldbury Academy
Ormiston Academies Trust
Outwood Grange Academies Trust
Paradigm Trust
Partnership Learning
Perry Beeches The Academy Trust
Prospect Education (Technology) Trust Limited
QED Academy Trust
Redborne Upper School and Community College
RMET
Sandwell Academy Trust Limited
Southfields Academy
Southmoor Academy
St Helen's Catholic Junior School Academy
St Matthew Academy
St Paul's Academy Limited
Swakeleys School For Girls
Swale Academies Trust
Tauheedul Education Trust
TBAP Multi-Academy Trust
Telford City Technology College Trust Limited

The Alec Reed Academy
The Boston Witham Academies Federation
The Brooke Weston Trust
The Cardinal Hume Academies Trust
The Cathedral Church Of England Academy Trust (Wakefield)
The City Academy, Hackney
The Collegiate Academy Trust
The Collegiate Trust
The David Ross Education Trust
The Dean Trust
The Duston Education Trust
The Education Alliance
The Education Fellowship Trust
The Elliot Foundation Academies Trust
The Gorse Academies Trust
The Gosforth Federated Academies Limited
The Heath Family (North West)
The Hoddesdon School Trust
The Howard Partnership Trust
The John Wallis Church Of England Academy, Ashford
The Kemnal Academies Trust
The Kingsdale Foundation
The KJS Academy Trust
The Northumberland Church Of England Academy
The Priory Federation Of Academies
The Rodillian Multi Academy Trust
The Rosedale Hewens Academy Trust
The Sabden Multi Academy Trust
The Silver Birch Academy
The Slough And East Berkshire C. of E. Multi Academy Trust
The Thinking Schools Academy Trust
The Williamson Trust
Tollbar Multi Academy Trust
Torch Academy Gateway Trust
Trinity Academy Halifax
United Learning Trust
University Academy Keighley
Valley Invicta Academies Trust
Wakefield City Academies Trust
Washwood Heath Multi Academy Trust
Wickersley Partnership Trust

An analysis of income and expenditure in the stand-alone academies reveals that, in addition to excessive expenditure on leadership pay in these schools, there is a high level of expenditure in other areas which siphons funding away from teaching and learning. One school spends £1,986 per pupil on back office costs and £581 per pupil on non-educational administrative supplies. In the case of another school, £1,229 is

spent on back office costs per pupil, but £630, just over half of that amount, is spent per pupil on non-educational administrative supplies. Educational consultancy expenditure is as high as £375 per pupil in one of these schools.

Government deregulation and inappropriate school autonomy has led to inefficiencies and waste

From 2010 onwards, the Government's extension of school autonomy has been accompanied by abolition of the statutory levers in the system that could assist schools, which had been given greater freedoms to apply those freedoms, efficiently and effectively. Advice on procurement and financial management in schools was removed, together with the British Educational Communications and Technology Agency (Becta), which was abolished in the 2010 Spending Review which assisted schools in obtaining best value for public money in technology procurement. The impact on schools of these changes has been profound and hugely wasteful of resources.

In addition, the Government removed the restrictions which prevented academy trusts from carrying forward excessive unspent balances.

Pressed by the NASUWT, the DfE has belatedly launched a national procurement strategy for schools,⁶ including national-level procurement carried out for the whole schools sector by the Crown Commercial Service.

The DfE estimates that at least £1 billion could be saved through non-staff savings in schools by 2019/20 through better procurement.

However, whilst a strategy of more efficient procurement by schools is welcome, the central problem remains and that is the inappropriate autonomy given to the academy sector by the Government.

The DfE's 2015-2016 *Academy Schools Sector in England: Consolidated annual report and accounts* reveals the extent to which there is poor financial governance. For 171 academy trusts, an independent auditor was unable to provide an unqualified opinion on the trust accounts; in other words, that the accounts were materially correct with no matters to bring to the reader's attention.⁷ Twelve academy trusts did not submit accounts at all.

School spending issues are being exploited to justify the withholding of teachers' pay, redundancies and the worsening of terms and conditions.

Unfortunately, school funding issues are exploited to justify failing to use funding for teaching and learning purposes, including ensuring that teachers are appropriately paid and have working conditions which support their key role and manage their workload.

Inaccurate information about school funding, including fictitious school funding allocations, is circulating round the system, which is leading schools to believe that they must cut expenditure on teaching and learning when this is unnecessary. The DfE, Education and Skills Funding Agency (EFSA) and local authorities must take responsibility for ensuring that schools are clear about the actual funding which they are receiving and will receive in the future.

Ill-judged research has also led some schools, MATs and employer organisations to claim that teachers' pay and other teaching and learning expenditure is unaffordable.

⁶ DfE, *Schools Buying Strategy*, January 2017.

⁷ DfE, *Academy Schools Sector in England*, paragraph 6.20, 2017.

For example, the Education Policy Institute (EPI) published a report in March 2018 which claimed that schools could not afford the annual pay increase for teachers. The Report claimed that it would not be ‘feasible’ for schools to meet the cost of even a one per cent pay award, despite 6.4 per cent of schools’ income being held in unspent balances by schools.

The EPI Report is highly misleading. The percentage of schools with deficit budgets rose by three per cent to ten per cent by March 2017, with a decrease in the average surplus by £11,000 to £131,000 for 90 per cent of schools. However, the EPI Report has drawn the conclusion that over 60 per cent of schools spent more than their income in 2016-17. No wonder the EPI has noted that the figures in their report differ from published statistics on school balances. Most importantly, the EPI Report has ignored the £2.3 billion held in reserves in the academy sector and has drawn its conclusions from research into a tiny fraction of the total 17,922 local authority maintained primary and secondary schools. Its research also largely ignores nursery schools, special schools and alternative provision.

It is also disingenuous for the EPI to claim that two thirds of school spending is on ‘education staff’, implying that this is the figure spent on teachers, or even teachers and teaching assistants. This figure includes inflated CEO and trustee pay – the spend on teachers is 50.1 per cent of total expenditure for the academy sector and less than 50 per cent for the local authority maintained sector.

Conclusion

Pressures on school funding are likely to remain a perennial issue, as is concern about the sufficiency of funding levels for schools. However, in the context of extended freedoms and flexibilities at school level, the NASUWT is also concerned about the extent to which schools act responsibly and exercise good stewardship in relation to the management of public money.

During the continued impact of Brexit-related uncertainty, the NASUWT has urged the Government to intervene to ensure that all schools act responsibly in relation to the utilisation of funding and in the context of continuing funding pressures should this persist.

Real-terms cuts to education spending are misguided and will be to the long-term detriment of our society and our economy.

The NASUWT has raised concerns that, despite significant increases in the share of national wealth invested in education in the UK over the period of the last three decades, spending on education after 2010 in real terms has fallen.

Maintaining high investment in public education, and a demonstrable commitment to increase spending in real terms over time, should be a key priority for the Government.

The Government needs to act not only to increase the quantum available to schools, but also with regard to ensuring there is a funding methodology which enables all schools to secure the educational entitlements of pupils.

Additionally, and no less important, is the need to ensure that schools are accountable for the use of public money.

The Government must ensure that schools act appropriately, irrespective of funding levels, and that they do not seek to reduce staffing levels and curriculum provision or make unfair and unsustainable demands of parents/carers.

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