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Outgoing Stourbridge
MP Margot James

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INDEPENDENT REPORTING ON WESTMINSTER POLITICS AS IT AFFECTS THE LIVES OF STOURBRIDGE PEOPLE

Background analysis to impact of funding cuts on Stourbridge Schools until 2020

Data from the Education Policy Institute and Schoolcuts

April 4 2018

Redhill School, where Stourbridge MP Margot James was an associate governor until 7th April 2017, and its partner in the Stour Valley Academy Trust group, Earls High in Dudley, are big losers as teaching support cuts loom.

Assessments made by the Schoolcuts data analysis unit conclude that **Redhill School** will lose £307,389 and **Earls High** £324,355 from their annual funding in the period 2015/16 to 2019/20 based on the proposed new National Funding Formula with additional £1.3bn additional funding government has announced recently.

This equates to around £256 and £273 per pupil for Redhill and The Earls High respectively.. Overall, 95 out of 96 schools in the Dudley area will face cuts to their funding. Between 2015 and 2020 the overall reduction in real terms funding is estimated to be £9.3m and £221 per pupil.

See data at (link) <https://schoolcuts.org.uk/#!/schools?chosenSchool=3324119>

Redhill School was a stand-alone Academy Trust until 31st March 2017 when the trust transferred its operations and assets to **Stour Vale Academy Trust**, a multi academy trust group.

Stour Vale Academy Trust now comprises Redhill School, Earls High School and Olive Hill Primary School. Stour Vale Academy Trust and Redhill School are limited by guarantee and must file accounts at Companies House. Information on the transfer and the resignation of Margot James is shown in the latest filed accounts.

This combining of the Trusts sequences with Margot James's resignation and her government's introduction of the new National funding formula (NFF) which is expected to continue the cuts to school funding.

In campaigning in the run up to the general election, the Conservative Government promised an additional £4bn for schools (from Education Policy Institute document, p8). The Education Policy Institute calculated that with their proposed National Funding Formula, an additional £1.3bn would be needed.

These were annual figures but what the government is now offering is an additional £1.3bn spread over 2018/19 and 2019/20. This £1.3bn itself, is not additional funding, it is taken from other parts of the education budget.

As reported in The Guardian 17th July 2017, the then Education Secretary Justine Greening's plan extracts £600m from central education budgets, £200m from free schools budget and £420m from the capital budget for building and repairs, mostly from the 'healthy pupils' budget for sports and well being.

See report at (link) <https://www.theguardian.com/education/2017/jul/17/justine-greening-raids-free-schools-budget-for-education-bailout>

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The Education Policy Institute has assessed the combined effects of the effects of both the effective freezing of funding for schools in the light of inflationary pay pressures, the proposed National Funding formula and the current deficit situation many schools including Redhill and Earls High start with.

See report at (link) <https://epi.org.uk/publications-and-research/school-funding-pressure/>

The **Department for Education** issued figures assessing the impact of the NFF which do not take account any inflation.

The figures for 2018/2019 and 2019/20 are said to be illustrative and the current status is that the NFF will not be implemented in full until 2020/21. However, they do appear to be using this to determine how much the local authority will be given in total for their area.

The local authority can use its own formula to distribute the funds between schools. Looking at the figures the Department for Education has prepared, 77 schools in the Dudley area would be due to get less than a 1% increase where inflation is currently running at about 3% and even with the cap of 1% (now removed from September 2017) on teachers pay, it is clear a school could not balance its books without cuts to its biggest cost area – teaching staff.

See DfE data tables at (link) <https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs>

These cost pressures were highlighted in a report by the **National Audit Office (NAO)** in 2016.²¹ It considered the pressures facing schools between 2016-17 and 2019-20. The report stated that the Department for Education (DfE) was estimating a total cost pressure of 3.4 per cent on schools in 2016-17, with the cumulative total rising to 8.7 per cent by 2019-20. This latter figure was composed of:

- 4.4 per cent from the annual pay award and salary increases;
- 1.8 per cent from National Insurance;
- 1.6 per cent from inflationary pressures on non-staff spending;
- 0.4 per cent from expenditure on the teachers' pension scheme; and
- 0.4 per cent from the Apprenticeship Levy.

It is clear that the funding proposed by the government falls far short of the expected rise in costs for schools over the same period.

Many schools have deficit situations to start with due to as the IFS note, “the current policy of freezing school spending per pupil in cash terms implies a real-terms fall in school spending per pupil of around 6.5% between 2014-15 and 2019-20. The costs schools face have actually risen faster than inflation in recent years, due to additional costs such as higher employer pension and national insurance contributions. This implies real-terms cuts closer to 8% between 2014-15 and 2019-20.”

The Education Policy Institute notes an increasing issue with schools recording deficits:

“For local authority maintained schools, we have a time sequence of seven years of publicly accessible data on their balances. ² This includes data for 13,404 local authority maintained primary schools and 1,136 local authority maintained secondary schools.³

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Our analysis shows that:

- The number of local authority maintained secondary schools in deficit reduced from 14.3 per cent in 2010-11 to 8.8 per cent in 2013-14. However, over the four years up to the end of the last financial year, the proportion of local authority maintained secondary schools in deficit nearly trebled – from 8.8 per cent in 2013-14 to 26.1 per cent in 2016-17. The average local authority maintained secondary school deficit rose over this seven year period, from £292,822 in 2010-11 to £374,990 in 2016-17.
- The region with the highest percentage of local authority maintained secondary schools in deficit was the South West, with 22.1 per cent of schools in deficit in 2010-11, rising to 34.9 per cent in 2016-17. The region with the lowest percentage throughout the period was the East of England, with 7.5 per cent of schools in deficit in 2010-11, rising to 17.5 per cent in 2016-17.
- Over two-thirds of local authority maintained secondary schools spent more than their income in 2016-17, while 40 per cent had done so for at least two years.
- The number of local authority maintained primary schools in deficit has also risen. In 2010-11, 5.2 per cent of local authority primary schools were in deficit – this reduced in the following year to 3.7 per cent, before staying at a level of around 4 per cent until 2015-16. However, in 2016-17, the proportion of primary schools in deficit increased significantly, to 7.1 per cent. The average primary school deficit also noticeably increased, from £72,042 in 2010-11, to £107,962 in 2016-17.
- The regions with the highest percentage of local authority maintained primary schools in deficit in 2016-17 were the North East (10.1 per cent), London (8.6 per cent) and Yorkshire and the Humber (8.4 per cent). The region with the lowest percentage throughout the period was the East of England, with 2.6 per cent of schools in deficit in 2010-11, rising to 3.4 per cent in 2016-17.
- The proportion of local authority maintained primary schools which have spent more than their income rose significantly in 2016-17, to over 60 per cent. A quarter had a falling balance for two years or more.

Redhill School and Earls High both start the new funding year with deficits. Their deficits per their accounts at 31st August 2017 combined are: £394,307 (2016: Earls High £299,725 and Redhill £38,386 Combined £338,111).

In terms of staffing, Redhill school has the 3rd worst ratio in the borough of Teaching assistants to pupils at 104.60 showing that over the period 2014/2015 to 2016/17 this has worsened by 51.3.

Clearly, this demonstrates that cost savings have already taken place through cuts to teaching assistants. The Stour Vale Academy trust is showing a pension deficit of £5m on its share of the Local Government Pension scheme which suggests its contributions into the defined benefit scheme will need to rise in excess of inflation.