

## **Written evidence from London Councils to the Public Accounts Committee – The Financial Sustainability of Schools Inquiry**

London Councils represents London's 32 borough councils and the City of London. It is a cross-party organisation that works on behalf of all of its member authorities regardless of political persuasion.

London's schools are the best performing in the country at GCSE and Key stage 2, with 89% of them rated as good or outstanding by Ofsted. This success has been achieved through a combination of good leadership, partnership between schools and local authorities and investment. However, London Councils has very real concerns about the impact of current cost pressures, as identified by the NAO, on London's schools, particularly when these pressures are combined with those created by the National Funding Formula for schools, which is due to be introduced from April 2018.

### **Financial pressures facing schools**

1. The pressures identified by the NAO reveal that schools have been operating within constrained budgets since 2010 and this is already having a considerable impact in terms of the number of schools that are overspending. Many schools have cut back as much as they can but are now concerned that further cuts will result in a decline in standards and support for pupils.
2. From April 2018 the government plans to introduce the new National Funding Formula (NFF) for schools, which is designed to bring more fairness and transparency to the funding system. However, the NFF proposals will see 70% of schools in London face a further funding cut. London is the worst hit region in the country.
3. The budgetary reductions arising from the introduction of the NFF will be capped at 3% per school. While some may argue this is a relatively small amount and schools should be able to absorb this easily, it is unlikely they will be able to do so in addition to the wider budgetary pressures highlighted recently by the National Audit Office (NAO)<sup>1</sup>.
4. Combining the findings of the NAO's report with the illustrative allocations published by DfE, London Councils' analysis suggests that London's schools are set to experience a real-term reduction in funding of £360 million in 2018/19, the first year of the new NFF, in comparison to current 2016/17 baseline. All schools in the capital will experience a real-terms reduction in funding by 2019/20 because the cap on gains over the first two years of the new funding formula (5.5 per cent) does not exceed the funding pressures identified by the NAO (8 per cent). Therefore, even a school that will have an uplift as a result of the introduction of the NFF will have an overall budgetary reduction in this financial climate.

### **Challenges of delivering high quality education in London**

5. There are a number of significant challenges facing London's schools, which put even more pressure on their stretched resources. If funding is reduced it will be very difficult for London's schools to be able to cope with these pressures.

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<sup>1</sup> *Financial Sustainability of Schools*, National Audit Office, December 2016

6. London boroughs have long been reporting difficulty in recruiting quality teachers across a range of subjects, as well as retaining them in the long term. TES reports in *A Question of Quality: TES Teacher Recruitment Index*<sup>2</sup> that London is the region that has the most difficulty currently recruiting teaching staff.
7. London Councils is predicting that the capital needs an additional 113,000 places between 2015-2020 to cope with rising demand. This amounts to 78,275 places at primary level and 34,835 at secondary.
8. London has experienced a very rapid increase in demand for Special Educational Needs and Disabilities (SEND) places in recent years, far exceeding growth in other regions and among London's mainstream population. Between January 2011- 2016 the number of pupils educated in dedicated SEND places in London rose 23 per cent from 18,800 to 23,127, over twice the 10 per cent growth rate in the rest of England.
9. Pupil mobility is a key cost driver for many schools in London, including unavoidable administrative costs and additional support for mobile pupils. London Councils commissioned a report on pupil mobility from Education Datalab, which provides evidence of the higher rates of pupil mobility in London and estimates the per pupil costs for different types of non-standard admissions. Whilst pupil mobility has been recognised in the new national funding formula, just 0.1% of funding will be channelled through this factor.
10. The cost pressures already facing schools as identified by the NAO are exacerbated in London because challenges such as teacher recruitment and retention, dealing with pupil mobility and rising demand for places are felt so acutely in the capital. London Councils is concerned that these pressures are already having an impact on school performance in the capital.
11. London is still the highest performing region at GCSE. However, in the past two years, the 5 GCSEs A\*-C performance gap between London and all other regions has narrowed. Between 2013/14 and 2014/15 all regions saw their performance improve – except London which saw a 0.6 percentage point decline over the same period.
12. Local authorities will be working closely with maintained schools to help identify efficiencies to mitigate the impact of the cuts. However, local authorities are also facing significant cuts to the level of funding they receive to fulfil their education functions. The DfE has committed to £600m of savings from the Education Services Grant (ESG) by September 2017, which will have a significant impact on the ability of local authorities to provide support to schools. Factoring in transitional funding and the new school improvement grant, this leads to an effective funding cut of £38.1m (46 per cent) for London boroughs.
13. Given the scale of these challenges, any funding reductions will be keenly felt by London's schools and cuts to local authority education funding mean that they are unlikely to be able to support schools through this challenging period.

### **Call to government**

14. Schools have already had to cope with a significant level of cuts, as identified by the NAO, and many have very little left that they can reduce without making their school financially unviable. Schools need more investment urgently if they are to continue to deliver high standards.

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<sup>2</sup> *A Question of Quality: TES Teacher Recruitment Index*, TES, April 2016

15. London schools' successful improvement trajectory should not be put at risk because of government cuts. Investment is needed to bring schools across the country up to London's standards, rather than cut funding to London's schools.
16. London Councils is calling on the government to release £335 million of additional funding to enable the national funding formula to be introduced without any school losing funding across the country.