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School funding in England



Summary

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Summary

Scope of briefing paper

This briefing paper gives a short overview of school funding in England. It looks at:

- Overall funding levels
- Schools' financial health
- Funding commitments made at the autumn 2021 Budget and Spending Review
- The implementation of the National Funding Formula (NFF) for schools
- Proposed legislation on school funding in the Schools Bill

Overall levels of funding

In recent years, there have been concerns about a squeeze on school funding, in the wider context of increasing pupil numbers and cost pressures, including those relating to the coronavirus pandemic and energy costs.

The Government announced additional core school funding, pre-pandemic, in summer 2019. Further cash increases were announced at the autumn 2021 Budget and Spending Review.

The Government also made around £4.9 billion available for education recovery from the pandemic, but some, including the former education recovery commissioner, Sir Kevan Collins, have called for much higher levels of funding.

High inflation rates and increases to teacher and school support staff pay scales have led to teaching and leadership unions balloting members on strike action. They say the pay increases are too low and are not fully funded by Government.

What's happening with the national funding formulas (NFF) for schools and high needs?

Since financial year 2018-19, a new National Funding Formula (NFF) has been used to determine how much mainstream schools attract in core revenue funding. There are separate formulas for sixth form, high needs, and early years funding. Pupil premium (additional money to support disadvantaged children) is paid via a separate grant.

Currently, the NFF is only being used to work out **notional** allocations for individual schools. These are then aggregated, adjusted, and passed to local authorities, who then draw up local funding formulas for onward distribution. This is known as an indirect NFF. Under a direct, or hard NFF, there would be a much reduced role for local authorities in sharing out core funding for mainstream schools.

In July 2021, the DfE [consulted](#) on completing the NFF reforms, proposing a gradual move toward a hard NFF. A [further consultation](#) followed in June 2022. The changes require legislation.

The relevant provisions are included in the [Schools Bill](#), currently before Parliament. At the time of writing, the Bill, which originated in the Lords, was awaiting its third reading there, before moving to the Commons. The Bill, which also covers academy regulation and home education, has been controversial and was subject to Government amendments.

Finding school and constituency funding information

The DfE has published [notional provisional NFF](#) allocations at school and local authority level for 2023-24. These are not necessarily what any school will actually receive in core school funding, but rather what the school attracts to their local authority.

The Department also publishes [national and per pupil school funding figures over time](#); this includes grants such as the pupil premium.

1 School funding in England – the current picture

1.1 Overall levels of school funding

Autumn Budget and Spending Review 2021

In autumn 2021, the [Government announced](#) increases to schools' core funding for the three financial years covered by the Spending Review – 2022-23, 2023-24 and 2024-25. The announcement included an additional £4.7 billion by 2024-25 for the core schools budget (compared to how much was due to be allocated in 2022-23, according to the previous spending review in 2019). The Government estimated the £4.7 billion would equate to a cash increase of more than £1,500 per-pupil by 2024-25, compared to 2019-20.¹

Core schools budget: spending review settlements

£bn, cash

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
As set at 2019 spending round	44.4	47.6	49.8	52.2	..	..
As set at 2021 spending round	..	..	..	53.8	55.3	56.8

Core schools budget: spending review settlements

£bn, real (2022-23 prices)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
As set at 2019 spending round	48.9	51.0	51.8	52.2	..	..
As set at 2021 spending round	..	..	..	53.8	54.0	54.5

¹ HM Treasury, [Autumn Budget and Spending Review 2021: A stronger economy for the British people, 27 October 2021 \(PDF\)](#)

Notes: see Box 1 for details on adjusting for inflation

Sources: HM Treasury, [Spending Round 2019](#), 4 September 2019; [Autumn Budget and Spending Review 2021: A stronger economy for the British people \[PDF, 3.6MB\]](#), 27 October 2021; HM Treasury, [GDP deflators at market prices, and money, September 2022](#); Office for Budget Responsibility, [Economic and fiscal outlook](#), 23 March 2022 (table 1.7 of supplementary economy tables).

1: Real-terms figures and adjusting for inflation

The coronavirus pandemic has caused unusual movements in the GDP deflator, which is used to measure inflation in the economy. This means that for 2020-21 and 2021-22 published values do not provide an accurate representation of price changes.

The real terms calculations in this briefing paper use a smoothing method to counteract this effect – this involves averaging GDP inflation estimates for 2020-21 and 2021-22. It also uses March 2022 Office for Budget Responsibility forecasts for 2022-23 and later years. These are likely to understate inflation.

The 2021 Spending Review document also noted the settlement was expected to support “delivery of the government’s commitment to increase teacher starting salaries to £30,000.”² For the 2021/22 academic year, the starting salary for a newly qualified teacher outside of London and the London fringe area was £25,714 per annum, and for 2022/23, it is £28,000.

On education recovery funding, the Spending Review committed a further £1.8 billion over the period to 2024-25, taking total funding for education recovery since the 2020/21 academic year to around £4.9bn – or around £1 billion per year (although the total is not evenly-spread across these years).

The focus in this briefing is on recurrent funding for schools. More detailed information on additional funding relating to the pandemic can be found in:

- [Coronavirus and schools](#), Commons Library briefing, CBP 08915

Per-pupil funding trends over time

The DfE publishes [national figures on school funding for 5-16 year-olds over time](#); this is a composite measure, and includes grants such as the pupil premium. There have been changes to school funding streams over the

² HM Treasury, [Autumn Budget and Spending Review 2021: A stronger economy for the British people, 27 October 2021](#), (PDF, 3.6 MB) p81

period, but the DfE says its intention is to ensure the series is as comparable over time as possible. Equivalent figures for parliamentary constituencies, local authorities, and individual schools, are not published.

The table on the next page shows these per-pupil figures, in cash and real terms – ie, adjusted for inflation.

Other organisations, such as the Institute for Fiscal Studies (IFS) have developed their own measures and time series, with slightly different coverage; these are mentioned later in this briefing.

5-16 school funding in England, per pupil		
Cash and real terms (2022-23)		
	Cash	Real
2010-11	£5,180	£6,660
2011-12	£5,270	£6,660
2012-13	£5,360	£6,660
2013-14	£5,460	£6,640
2014-15	£5,560	£6,690
2015-16	£5,600	£6,690
2016-17	£5,590	£6,540
2017-18	£5,590	£6,430
2018-19	£5,730	£6,480
2019-20	£5,920	£6,520
2020-21	£6,280	£6,720
2021-22	£6,510	£6,770
2022-23	£6,970	£6,970

Notes:

Funding covers a range of central government grants in support of schools, 2022-23 figures are based on a combination of published allocations, 2021 Spending Review settlements, and estimates

See box 1 (in main text) about adjusting for inflation

Sources:

Department for Education, Financial Year 2021-22 School funding statistics, 27 January 2022
 HM Treasury, [GDP deflators at market prices, and money](#), September 2022; Office for Budget Responsibility, [Economic and fiscal outlook](#), 23 March 2022 (table 1.7 of supplementary economy tables).

1.2

What is happening on teachers' pay in 2022/23?

Teacher and support staff salaries and on-costs generally account for a large percentage of schools' revenue budgets, meaning changes to teacher pay and workforce structure can have significant impacts on school financial health. Schools generally have their own delegated budgets, and don't normally receive additional DfE funding to meet unexpected staff costs over and above their recurrent funding allocations.

Arrangements for teacher pay at maintained schools in England are set out in the annual School Teachers' Pay and Conditions Document (STPCD). The [latest version is for the 2022/23 academic year](#). Academy sector teacher pay is often aligned to the STPCD. The STPCD is informed by recommendations made annually by the School Teachers' Review Body (STRB).

For academic year 2022/23, [the DfE confirmed increases of 5% \(cash\) to most maintained school teacher pay ranges, allowances and advisory pay points](#).³ There have been larger percentage increases for newly-qualified teachers, in line with the Government pledge to raise starting salaries to £30,000 (outside of London). There are also cash increases to pay scales for many school support staff such as teaching assistants (TAs) – although TAs can be paid on a range of terms and conditions.

[The pay arrangements for maintained school teachers in 2022/23 are in line with the STRB's recommendations](#). However, the pay increases are higher than the DfE advocated for in its original written evidence to the STRB. Then-Education Secretary, Nadhim Zahawi, [argued in his evidence to the pay body](#) that there should be a significant rise in starting salaries but a smaller rise of around 3% for those on the upper and leadership pay scales.

1.3 Teaching and leadership union reaction to 2022/23 pay award

School leadership unions continue to press for pay increases in line with current inflation, whilst raising concerns about school budgets, given rising costs. They argue that no additional funding has been made available to schools, over and above that set out at the time of the autumn 2021 Spending Round, to cover teacher pay awards.

The National Association of Head Teachers (NAHT) confirmed on 18 October 2022 that it would formally ballot members on industrial action for the first time in its history, [citing real-terms pay cuts and funding that is "inadequate to meet schools' needs"](#).⁴ Other unions have said they will ballot members on strike action. The National Education Union, for example, is [formally balloting members from 31 October 2022](#) "asking all to vote in favour of strike action to win a fully funded, above-inflation pay rise".⁵

On 8 November 2022, the National Association of Head Teachers published [results from a funding survey of around 11,000 school leaders](#). Findings included:

³ Department for Education press release, [Government delivers landmark rises to teachers' salaries](#), 19 July 2022

⁴ National Association of Head Teachers, [Our pay and funding campaign](#), undated

⁵ National Education Union, [Pay campaign](#), undated

- A majority of schools reported they would have to make redundancies next year
- Two-thirds (66%) said they would have to make teaching assistants redundant or reduce their hours
- Half (50%) said they were looking at reducing the number of teachers, or reducing teaching hours
- More than half (55%) said they would go into deficit this year unless they made cuts.⁶

1.4 What happened to teacher pay in previous years?

Changes to teacher pay in previous years include:

- In academic year 2018/19, the STPCD provided cash uplifts of 3.5% to the main teacher pay range, a 2% increase to the upper pay range, and a 1.5% increase for the leadership pay range.
- For 2019/20, the STPCD provided for an uplift of 2.75% to the band minimums and maximums of all teacher pay ranges and allowances.
- For 2020/21, the bottom of the main pay scale was uplifted by 5.5%. The maximum of the main pay range, and the minimum and maximum of all other pay ranges and allowances were uplifted by 2.75%.
- For 2021/22, the only uplift related to those earning below £24,000 (outside of London and the London fringe). These teachers, and those earning up to £28,681 in inner London, received a consolidated award of £250. The qualified teacher and leadership pay range minimums and maximums were not uplifted, in line with the public sector pay freeze.

All annual percentage changes above refer to cash-terms changes, and don't account for inflation.

⁶ National Association of Head Teachers, [NAHT survey shows the majority of schools in England are looking at redundancies due to the funding crisis](#), 8 November 2022

1.5

Teachers' Pay Grant and Pension Employer Contribution Grant

Pay

In a [statement to Parliament](#) on 24 July 2018,⁷ then-Education Secretary Damian Hinds confirmed a new Teachers' Pay Grant. The funding would cover the financial years 2018-19 (£187 million) and 2019-20 (£321 million).

The money would come from within the existing DfE budget. In relation to 2018-19, the Statement said the funding would cover “in full, the difference between the 2018-19 pay award and the cost of the 1% award that schools would have anticipated under the previous public sector pay cap”.⁸

In response to a PQ of 3 September 2019, Minister Nick Gibb said the Government was providing “an additional £105 million of funding for schools this year [2019-20]” on top of the £321 million provided through the Teachers' Pay Grant. This was “in recognition of the difference between [the 2.75% award for 2019-20] and the 2% the Department has assessed schools can afford on average nationally.”⁹

From 2021-22, the majority of teachers' pay grant funding has been paid via the DSG.

Employers' pension contributions

From September 2019, the level of employer contribution to the Teachers' Pension Scheme (TPS) increased from 16.4% to 23.6% of annual pay.¹⁰

In April 2019 the DfE confirmed it would “fully fund” the additional teachers' pension contributions state-funded school and college employers needed to make in 2019-20. It said it would provide £940 million in funding, but arrangements for future years would be set at the next Spending Review.¹¹ In 2019-20, the DfE funded some of this additional cost from central budgets, with £654 million extra provided by HM Treasury.

At Spending Round 2019, the 2017 Government confirmed around £1.5 billion would be made available for the additional pension contributions in each year from 2020-21 to 2022-23. Funding is calculated on a formulaic basis, taking into account pupil numbers and other factors. As for the pay grant, since 2021-22, the funding has largely been subsumed into DSG allocations.

⁷ [Teachers update](#), Written Statement, HCWS912, 24 July 2018

⁸ [Teachers update](#), Written Statement, HCWS912, 24 July 2018

⁹ [PQ 282297](#) [on Teachers: Pay], 3 September 2019

¹⁰ This is the underlying employer contribution rate and excludes an administration levy of 0.08%.

¹¹ Department for Education news story, [Teachers' Pension Scheme protected to ensure it remains among most lucrative](#), 10 April 2019.

1.6

Other commentary on school funding

Institute for Fiscal Studies August 2022 analysis

In August 2022, [the Institute for Fiscal Studies looked at the teacher pay framework, overall funding, and inflationary pressures](#). It concluded:

- **Planned reversal of past school spending cuts.** Between 2009–10 and 2019–20, spending per pupil in England fell by 9% in real terms. Additional funding in the 2019 and 2021 Spending Reviews was due to restore spending per pupil back to 2010 levels based on inflation measured by the GDP deflator.
- **Actual costs faced by schools growing faster.** We estimate that the actual costs faced by schools, such as teacher and support staff pay, will grow by 20% between 2019–20 and 2024–25. This is above the 14% expected growth in the GDP deflator, which is still subject to the persistent effects of the pandemic.
- **School costs to increase by 6% in 2022–23 but look just about affordable.** We estimate that teacher pay costs will rise by 4% in 2022–23, including the effects of last year’s pay freeze, the 5.4% average increase in September 2022 and the new Health and Social Care Levy. Local government employers have offered support staff pay rises of 4%–10.5% in 2022–23. This implies increases in the average cost of support staff of at least 9%. Rising energy and food prices are driving an increase in CPI inflation, now expected at 8% for 2022–23, which seems likely to further increase non-staff costs. However, growth in funding per pupil is relatively high this year (7.7%) and is still likely to be above growth in school costs (6%)
- **Cost increases won’t be felt equally.** A large amount of the extra funding this year has been allocated to meet rising demands on the high-needs budget. The expected growth in total mainstream funding per pupil (6.8%) is only just above expected growth in costs (6%). Schools that rely more on support staff, such as special schools, will also likely see faster growth in costs.
- **Future real-terms cuts.** We project that school costs will grow by 4% in 2023–24, which is above expected growth in school funding per pupil (3%). In 2024–25, growth in school funding per pupil is only just above projected cost growth.
- **No return to 2010 real-terms levels.** Faster growth in school costs will reduce the purchasing power of school budgets. After accounting for growth in the specific costs faced by schools, we estimate that school spending per pupil will remain 3% below 2010 level in real terms.¹²

Since the IFS analysis was published, the Government has confirmed the 1.25% increase to employees’ and employers’ national insurance contributions (to have been replaced by the Health and Social Care Levy in

¹² Institute for Fiscal Studies, [School spending and costs: the coming crunch](#), 2 August 2022

the 2023-24 tax year) – would be repealed with effect from 6 November 2022. The IFS subsequently reported that HM Treasury had told its researchers the extra funding for employer national insurance contributions would be withdrawn from 2023/24 onward.¹³

Education Policy Institute (EPI) briefing, October 2022

In October 2022, [EPI published a briefing](#) using the IFS’s earlier analysis to estimate current cost pressures on average-sized primary and secondary schools. This said:

- The current funding settlement for schools will mean that, by 2024-25, per-pupil funding will be around 3 per cent lower in real terms than in 2010. This means that Rishi Sunak’s commitment in last year’s budget to return school funding back to levels in 2010 will not be met.
- We estimate that this equates to a cut of around £40,000 in the average primary school and £210,000 in the average secondary school.
- In turn, this equates to around just under 1 teacher in primary and 3-4 teachers in secondary schools.
- On the back of a decade of real-term cuts, a weakened link between funding and disadvantage and a widening gap between the poorest children and their peers, this paints an extremely worrying picture for education and for the outcomes of young people across the country.
- Over the past decade schools have also been affected by wider cuts and protecting core school funding by simply reducing spending elsewhere is likely to have knock-on effects to schools. In particular, the reviews of SEND and alternative provision, children’s social care, and child sexual abuse are all waiting to be implemented as well as the ongoing roll-out of mental health support teams in schools.
- Spending on children and young people is a long-term investment. The Chancellor and the new Prime Minister must avoid making further cuts to school and wider children’s services budgets if they are serious about levelling up and social justice.¹⁴

National Audit Office (NAO) report on schools’ financial sustainability: November 2021

The NAO has published two reports on the financial sustainability of schools, the latest in November 2021.¹⁵ The November 2021 findings largely reflect

¹³ Luke Sibieta, (@lukesibieta), “[Extra school funding for NICs IS being withdrawn so schools are no better or worse off from today BUT... because extra funding was folded into the National Funding Formula for 2023, DfE will probably need to cut school funding rates for 2023 or somehow find £300m](#)”, (Twitter), 23 September 2022 [accessed 4 November 2022]

¹⁴ Education Policy Institute, [Current estimates of school funding pressures](#), 24 October 2022

¹⁵ National Audit Office, [Financial sustainability of schools in England](#), Session 2021-22, 25 November 2021 HC 802, p13; National Audit Office, [Financial sustainability of schools](#), (PDF) Session 2016-17, HC 850, 14 December 2016

schools' financial position pre-pandemic owing to lags in the publication of school financial data. Overall, the NAO concluded that schools' financial health had "held up well".¹⁶ It found:

- Schools had faced considerable financial pressures in recent years, with per-pupil funding rising only 0.4% in real terms between 2014-15 and 2020-21, and in the context of cost pressures.
- Schools were also affected by the pressures on local authority budgets, which had meant reduced spending on central support services, such as educational psychologists and home-to-school transport.
- Maintained schools, as a whole, had a cumulative net surplus of around £1.3bn in 2019-20. However, 11% of maintained schools reported a cumulative deficit. There were considerable variations between LA areas, although there was no identified relationship between LA deprivation levels and percentage of schools in deficit.
- 27% of maintained secondary schools reported a cumulative deficit in 2019-20, compared to 10% of primary schools.
- For academy trusts, around 90% reported a cumulative surplus, with 22% of trusts reporting a cumulative surplus equal to 20% or more of their annual income. The net position across all trusts in 2019/20 was a surplus of £3.1bn.
- Inspection evidence indicated that the quality of schools' provision had "generally remained high".¹⁷ Qualitative evidence from Ofsted and stakeholders suggested that cost-saving measures had affected aspects of schools' provision – for example, reductions to staffing levels or changes in support to pupils with special educational needs and disabilities (SEND).
- The DfE's programmes to help schools save money and improve sustainability had been broadly welcomed, but it was hard to assess their impact.

1.7

What's happening with special educational needs funding?

The main block of funding for complex SEN within the DSG comes via the high needs block. From 2018-19, local authorities have received high needs funding calculated according to a national formula. The high needs formula includes, among other factors, a basic unit of per-pupil funding for pupils in specialist

¹⁶ National Audit Office, [Financial sustainability of schools in England](#), Session 2021-22, 25 November 2021 HC 802, p13

¹⁷ As above, p9

SEN provision, historic spend, and also proxy measures such as population, school attainment, and numbers of children in bad health. More information on the formula can be found in the DfE's publication, [High needs national funding formula: technical note](#).¹⁸ Once high needs allocations have been determined, it is up to each local authority, in consultation with their schools forums, to determine how this money is spent.

The table below provides total high need funding allocations figures for each financial year since 2012-13. The DfE does not publish allocations at a per-pupil (or per-place) level. This means comparisons over time should be treated with caution as there is no way of controlling for changes in the number of children and young people the high needs block is being spent on. In addition, there have been significant changes in funding methodologies and the policy framework over this period.

Total high needs block allocations		
£ Bn, England		
	Cash Terms	Real Terms (2022-23 prices)
2014-15	5,184	6,239
2015-16	5,246	6,264
2016-17	5,300	6,201
2017-18	5,827	6,705
2018-19	6,115	6,913
2019-20	6,279	6,919
2020-21	7,063	7,314
2021-22	7,906	8,227
2022-23	8,988	8,988

Notes:

Figures for all years are for the high needs block prior to deductions. 2022-23 allocation includes the additional funding announced in the autumn 2021 Spending Review.

See Box 1 (in main text) on adjusting for inflation

Sources:

Department for Education, [Dedicated Schools Grant \(DSG\) allocations](#), various years; HM Treasury, [GDP deflators at market prices, and money \(Quarterly National Accounts\)](#), September 2022; Office for Budget Responsibility, [Economic and fiscal outlook](#), 23 March 2022 (table 1.7 of supplementary economy tables).

An additional £325 million was made available for high needs in the 2022-23 financial year, to cover costs flowing from the national insurance rate increase, and in recognition of other cost pressures. 2023-24 supplementary

¹⁸ Department for Education, [High needs national funding formula: technical note](#), July 2022

high needs funding was due to be incorporated into local authorities' high need baselines for 2023-24.¹⁹

SEND funding has been an area of particular concern in recent years. In May 2019 the DfE opened a call for evidence on the high needs funding system.²⁰ The call for evidence asked for view on a range of issues relating to SEN, including:

- SEN factors in the school funding formula, including the possibility of tiering funding for pupils with lower attainment in mainstream assessments and, by proxy, pupils with more complex SEN
- Targeted funding for pupils with SEN
- The notional SEN budgets provided to schools to support their spending decisions
- The expectation that mainstream schools pay for the costs of SEN support up to £6,000 before accessing extra funding
- The information available locally about the SEN support particular schools provide
- Whether existing funding arrangements provide perverse incentives against early intervention to support children with SEN

The call for evidence included questions about SEN support in post-16 education, and funding for alternative provision. It ran until 31 July 2019.

The DfE published the outcome of the review as a green paper in March 2022.²¹ On SEND funding, the proposals include:

- A standardised way of calculating mainstream schools' notional SEN budgets. In the shorter term, the DfE plans to introduce guidance for local authorities on this issue.
- A new national framework of banding and price tariffs for high need funding. In a June 2022 consultation document on funding reform, the DfE says this will:

...involve addressing a range of complex issues, and potentially making significant changes to the current system of place and top-up funding for specialist provision, as well as the current expectation that

¹⁹ Department for Education, [The national funding formulae for schools and high needs 2023-24](#), 19 July 2022, p11

²⁰ Department for Education, [Funding for SEND and those who need AP: Call for evidence](#) (Closed 31 Jul 2019)

²¹ See: Department for Education blog article, [An open letter to parents and carers of children and young people with special educational needs and disabilities from Children and Families Minister Will Quince](#), 10 November 2021

mainstream schools will provide for the first £6,000 of additional expenditure on pupils with SEND.²²

The DfE has promised further consultation on this issue.

Further background on SEND policy and support can be found in:

- Commons Library briefing CPB 09526, [The Special Educational Needs and Disabilities and Alternative Provision Green Paper](#)

1.8

Levelling up white paper: January 2022

The Government's January 2022 [Levelling up white paper](#) promised the creation of 55 new Education Investment Areas (EIAs). It said:

These will cover the third of local authorities in England where educational attainment is currently weakest, plus any additional local authorities that contain either an existing Opportunity Area (OA) or were previously identified as having the highest potential for rapid improvement.²³

As well as the expansion of strong multi-academy trusts (MATs) in these areas, there would be retention payments for teachers “to help schools with supply challenges [...] to retain the best teachers in high-priority subjects”. It also promised “more intensive investment” in some EIAs to tackle wider issues – for example, schools may be able to access pilot programmes to improve school attendance, and new mainstream free schools could be opened where needed.²⁴

²² Department for Education, [Implementing the Direct National Funding Formula Government consultation](#), 7 June 2022, p10

²³ HM Government, [Levelling Up the United Kingdom](#), Cm 604, January 2022, pp189-90

²⁴ As above

2 What's the position on the National Funding Formula (NFF)?

2.1 Background to the NFF

A new national funding formula has been used to calculate core school funding since 2018-19. There are separate funding formulas for high needs (mostly special educational needs funding – discussed above), services centrally provided by local authorities, and early years provision. Local authorities receive a block grant from the DfE, called the Dedicated Schools Grant, or DSG.

Although this block grant is the main funding source for schools, they receive money from other sources, including:

- Pupil premium funding
- Sixth form funding – already distributed according to a national formula
- Capital funding for maintenance, expansions and rebuilds
- Self-generated income

Currently, the schools NFF is only being used to work out **notional** allocations for individual schools. These are then aggregated, adjusted, and passed to local authorities, who draw up local funding formulas for onward distribution. This is known as an indirect, or soft, NFF. The DfE encourages LAs to reflect the NFF in their local arrangements.

2.2 When will the schools NFF be fully implemented?

An indirect formula and the continuing role of local authorities

Since its introduction in 2018-19, the schools NFF has operated as an indirect formula. This means local authorities retain a role in distributing core mainstream school funding and deciding how much individual schools receive in their delegated budgets.

The move to a direct formula

The Government plans to move to a direct (or hard) NFF, ie, one with a significantly reduced role for local authorities in deciding allocations. In July 2021, it [consulted on completing the NFF reforms](#), proposing a gradual move toward a hard NFF. A [further consultation](#) followed in June 2022 and ran until September 2022. The Government intends:

- The direct NFF will be in place by 2027-28 at the latest, and possibly earlier.
- In 2023-24, there will be some changes to the factors LAs can use in their formulas, including:
 - Requiring them to use all NFF factors, and no others. Locally-determined premises factors will remain optional.
 - Where LAs aren't already mirroring the NFF factor values, requiring them to move at least 10 per cent closer.
 - More consistent rules for using the English as an Additional Language (EAL) factor.

The Schools Bill

Part two of the [Schools Bill](#), currently before Parliament, would provide the legislative basis for a direct NFF. The relevant clauses would amend part two of the School Standards and Framework Act 1998, in relation to England. They would:

- Place a duty on the Secretary of State for Education to calculate funding allocations for most mainstream maintained and academy schools, according to a nationally-determined formula.
- Create a regulation-making power, allowing other classes of school to be brought within the formula system.
- Create a regulation-making power to allow the Secretary of State to use a different means of calculating allocations for a prescribed school or schools, where there are exceptional circumstances.
- Provide a mechanism for determining and allocating locally-determined supplementary funding to schools in an LA area.

The Bill, which covers other areas such as academy regulation and oversight, and home education, has proved controversial. It has been heavily amended during Lords stages to date, and at the time of writing, no date has been scheduled for Lords third reading.

2.3

Is school funding going where it's most needed?

October 2022 IFS report on the alignment of funding with local need

On 20 October 2022, the IFS published a report, [Does funding follow need? An analysis of the geographic distribution of public spending in England](#). This looks at Government funding for key public services such as health, housing, and education, and analyses to what extent funding is targeted effectively based on the needs of different areas. On school funding, they concluded:

There are large differences in school funding across council areas and individual schools. Spending per pupil is highest in inner London to reflect the costs of London weighting and deprivation, with spending per pupil about 40%–50% above the national average in some inner London councils, such as Lambeth, Southwark, Islington, Hackney and Tower Hamlets. Even adjusting for differences in costs, this is higher than in deprived inner-city councils in the North, such as Liverpool and Manchester, where schooling outcomes are worse.

School funding is heavily skewed towards schools with more disadvantaged pupils. However, this targeting has reduced over time, partly as a result of policy choices, such as cash-terms freezes in the Pupil Premium, and the design of the new national funding formula. In 2010–11, spending per pupil in the most-deprived set of schools was 34%–35% higher than in the least-deprived schools. By 2019–20, this difference was still substantial, but much reduced (23%).²⁵

The earlier IFS Deaton Review report on education inequalities, published in August 2022, provided some further analysis of changes to the distribution of school funding and its link with disadvantage. It concluded the funding 'premium' – ie, how much additional funding disadvantaged schools received compared to less disadvantaged ones - had reduced since 2013. This was for complex reasons, including demographic changes, but was also partly to do with Government policy and funding choices:

The funding system became substantially more progressive over the 2000s. In 2000, primary school pupils in the most disadvantaged fifth of schools attracted around 20% more funding than those in the most affluent fifth (Britton, Farquharson et al., 2020). A decade later, the funding premium had risen to around 35% (and total budgets had increased too – so this was a larger share of a bigger pot).

However, these patterns have reversed since 2013, and the effective funding premium for disadvantaged schools has fallen to less than 25% – about the same level it was at in 2000. Secondary schools have undergone a similar shift. Much of this erosion of progressivity is due to the changing demographics

²⁵ Institute for Fiscal Studies, [Does funding follow need? An analysis of the geographic distribution of public spending in England](#), 20 October 2022, p13

of disadvantage (Britton, Farquharson et al., 2020). The overall share of pupils eligible for free school meals fell during this period, meaning funding targeted at disadvantage made up a smaller share of the overall pot. This was compounded by the shifting geography of disadvantage: FSM eligibility fell particularly sharply in London and, in later years, London schools were less likely to be in the most disadvantaged fifth nationally. Since London schools receive higher per-pupil funding to reflect higher costs, this compositional change reduced the overall amount of spending targeted at the most disadvantaged schools.

But more explicit policy choices have also played a role. A cash-terms freeze in the pupil premium has left it smaller as a share of overall funding. And while the government claims that rising minimum funding floors in the National Funding Formula are part of its ‘levelling up’ agenda, in practice these tend to benefit more affluent areas, further reducing the progressivity of the system.²⁶

NAO report on school funding: June 2021

Part two of a July 2021 [NAO report](#) examined whether the DfE was meeting its objectives on how it distributes core school funding in England – ie, the implementation of the new National Funding Formula.²⁷ This concluded the DfE was “gradually reducing the differences in per-pupil funding between similar local authorities”, although amounts still varied.

The research found that although more deprived areas still generally received higher per-pupil funding than less deprived ones by 2020-21, there had been a relative redistribution of funding from the most deprived schools, to the least deprived. This was due partly due to how the DfE allocated money to local authorities, and partly due to the way LAs distributed funding to schools. Per-pupil funding for the most deprived fifth of schools had fallen by 1.2% in real terms between 2017-18 and 2020-21, but had increased by 2.9% for the least deprived fifth.²⁸

The report notes the continued indirect format of the NFF means the DfE cannot be sure funding is consistently allocated to individual schools. It drew particular attention to academy schools that were part of larger multi-academy trusts (MATs). For these schools, the MAT receives the core funding, and unlike for maintained schools, there is no requirement to pass on a minimum level of per-pupil funding to individual academies. Added to this, details of individual academies’ funding are not routinely published.²⁹

²⁶ Institute for Fiscal Studies, [Education inequalities](#), August 2022, p73

²⁷ National Audit Office, [School funding in England](#), Session 2021-22, 2 July 2021, HC 300

²⁸ As above, pp9-10

²⁹ As above, p9

3 Finding funding statistics for local schools

3.1 Notional, provisional National Funding Formula (NFF) allocations for 2023-24

The DfE published [notional provisional NFF](#) allocations at school and local authority level for 2023-24. This dataset also provides some comparator data for the previous year, 2022-23.

The DfE's notional school-level NFF allocations are not what individual schools will receive in core funding. As previously noted, local authorities retain a degree of flexibility in determining local funding arrangements. Section two of this briefing provides more detailed information on how school funding works and on the introduction of the NFF.

3.2 Other school funding data and sources

The Dedicated Schools Grant (DSG) is the main DfE grant in support of schools' budgets. Its largest component – the schools block – is the element affected by the introduction of the schools NFF. Previous years' DSG allocations can be found online:

- Education and Skills Funding Agency (ESFA), [Local authorities: pre-16 schools funding](#)

The DfE also publishes allocation data at institution level for the pupil premium, 16 to 19 funding and some other separate grants:

- ESFA collection, [Pupil Premium and other school premiums.](#)
- ESFA, [16 to 19 education: funding allocations](#)

Further background information on 16-19 funding can be found in a linked Library briefing:

- Commons Library briefing, CBP 07019, [16-19 education funding in England since 2010](#)

4 Reports, analysis, and parliamentary material

4.1 Reports and analysis

- National Association of Head Teachers, [The cliff edge: the nation's underfunded and overstretched school budgets \[link to PDF, 258KB\]](#), (PDF) 8 November 2022
- Association of School and College Leaders, [ASCL funding survey - October 2022](#) (PDF)
- Education Policy Institute, [Current estimates of school funding pressures](#), 24 October 2022
- Institute for Fiscal Studies, [Does funding follow need? An analysis of the geographic distribution of public spending in England](#), 20 October 2022
- Institute for Fiscal Studies, [Deaton Review, Education inequalities](#), 16 August 2022
- Institute for Fiscal Studies, [2021 report on education spending in England](#), 30 November 2021
- National Audit Office, [Financial sustainability of schools in England](#), Session 2021-22, 25 November 2021, HC 802
- National Audit Office, [School funding in England](#), Session 2021-22, 2 July 2021
- Education Policy Institute, [Understanding school revenue expenditure | Part 2: Which types of schools spend the most?](#), 28 October 2019.
- Education Committee, [Special educational needs and disabilities](#), 23 October 2019, HC 20 2019-20
- [2019 annual report on education spending in England](#), Institute for Fiscal Studies, 19 September 2019
- Education Policy Institute, [“Understanding school revenue expenditure | Part 1: Why do we need another study on school funding?”](#), 18 September 2019

- National Audit Office, [Support for pupils with special educational needs and disabilities in England](#), HC 2636, Session, 2017–2019, 11 September 2019
- Association of Colleges, [“Implications of the 2019 Spending Round”](#), 5 September 2019
- Education Committee, [A ten-year plan for school and college funding \(PDF\)](#), 19 July 2019, HC 969 2017–19

4.2

Statements and DfE press releases

- [Department for Education Update](#), Written Statement, HCWS235, 19 July 2022
- [School Funding Update](#), Written Statement, HCWS225, 19 July 2022
- [School improvement](#), Written Statement, HCWS527, 11 January 2022
- [School and Early Years Funding Update](#), Written Statement, HCWS508, 16 December 2021
- [School funding update](#), Written Statement, HCWS200, 19 July 2021
- [New measures to support education recovery](#), Written Statement, HCWS794, 24 February 2021
- [School funding update](#), Written Statement, HCWS1828, 9 September 2019.
- [Oral Statement to Parliament on Education Funding](#), 03 September 2019, Vol. 664, Col.65 onward.
- Department for Education news story, [£30,000 starting salaries proposed for teachers](#), 2 September 2019.
- Department for Education press release, [Prime Minister boosts schools with £14 billion package](#), 30 August 2019.
- Department for Education and others, press release, [Chancellor announces £400 million investment for 16-19 year olds’ education](#), 31 August 2019.
- [Written Statement to Parliament \(on teacher pay\)](#), HCWS1766, 22 July 2019.

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