



School Funding in England Debate on 29 November 2018

Summary

This House of Lords Library Briefing has been prepared in advance of the debate due to take place on 29 November 2018 in the House of Lords on the motion moved by Baroness Morris of Yardley (Labour), “that this House takes note of the impact on schools of Her Majesty’s Government’s approach to school funding”.

This briefing focuses on school funding for state-funded primary and secondary schools in England. It sets out the Government’s recent reforms to the school funding system and their impact on schools, how school funding has changed over time, and provides wider context to the financial challenges schools are facing. This briefing does not cover early years provision or 16–19 school funding where separate funding formulas exist and does not outline the impact of school funding policy decisions made by the devolved administrations.

Continuing with steps taken by the previous Conservative Government in 2016/17 to provide “fairer funding”, the Government introduced a national funding formula (NFF) to calculate the amount of core funding allocated to state-funded schools across England. Alongside the announcement of the NFF in July 2017, the Government announced an additional investment of £1.3 billion for schools and high needs (special educational needs and disabilities) across 2018/19 and 2019/20. The NFF came into force in April 2018 but will not be fully implemented until 2020/21. Currently, a ‘soft’ NFF is being used to provide notional allocations for individual schools and local authorities retain responsibility for allocating funding.

The Government maintain that school funding has increased to a record high and that the way it is being distributed has been made fairer. Despite this, teachers and education unions have argued that the funding provided is not enough, especially with rising cost pressures. As a result, they claim that amongst other consequences, the insufficiency of overall funding has resulted in increased class sizes, the loss of school staff and reduced special educational needs provisions.

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I. Government Policy

I.1 Structure of the School Funding System

The primary source of revenue for state-funded schools for students aged 5–16, is the dedicated schools grant (DSG), which the Government gives to local authorities. State-funded schools include: community schools, foundation and voluntary schools, free schools, academies and grammar schools.¹

The DSG had been notionally divided into three blocks:

- The **schools block** is the level of funding local authorities receive per pupil and is the largest element of DSG.
- The high needs block is the level of funding local authorities receive to support provision for pupils and students with special educational needs and disabilities.
- The **early years block** is the level of funding local authorities receive to fund early years providers to deliver early years entitlements.²

For 2018/19 onwards, the Government introduced a fourth block, the central schools services block, which is funding allocated to local authorities to carry out central functions on behalf of pupils; it was created by combining two previous funding streams.³

The funding received by local authorities in each of the blocks is decided by a specific national funding formula (NFF) which differs between each one. The NFF that is used to allocate local authorities' schools, high needs and central school service blocks was implemented for 2018/19, and the funding for early years has been allocated through an NFF since 2017/18.⁴

The schools block is ring-fenced and that means most of funding allocated to local authorities has to be passed directly onto schools. This said, local authorities have some flexibility to transfer funding to other areas that best match local circumstances.⁵ These transfers are limited to 0.5 percent of an authority's total school block and can only be made with the agreement of

¹ HM Government, '[Types of Schools](#)', accessed 21 November 2018.

² Education and Skills Funding Agency, [Early Years Entitlements: Local Authority Funding of Providers: Operational Guide 2018 to 2019](#), February 2018, p 5.

³ Department for Education, [The National Funding Formula for Schools and High Needs: Policy Document](#), September 2017, p 7; and [Central School Services Block National Funding Formula: Technical Note](#), December 2016, p 3.

⁴ Department for Education, [The National Funding Formula for Schools and High Needs: Policy Document](#), September 2017, p 7.

⁵ *ibid*, p 8.

the schools forum.⁶ The schools forum acts as a consultative and decision making body and consists of representatives from schools, academies and other non-school organisations.⁷

Whilst the DSG is the primary funding source for schools, they also receive funding from other sources:

- **Pupil premium funding:** This is the additional money given to state-funded schools to support the education of disadvantaged children. It is paid as a separate grant to the DSG and is subsequently largely unaffected by the introduction of the NFF.⁸
- **16–19 funding for sixth forms and colleges:** Funding for 16–19-year olds has not been affected by the NFF reforms with funding for this group calculated by a separate NFF.⁹
- **Capital funding for maintaining and improving school buildings:** Funding for capital projects in English schools whether expansion, maintenance or the construction of new school buildings fall outside the scope of the recent funding reforms.¹⁰
- **Self-generated income.**

1.2 National Funding Formula

The new national funding formula (NFF) that came into force in April 2018 is used to calculate core funding for state-funded schools in England. It was formally announced in July 2017 by Justine Greening, the then Education Secretary, following two periods of consultation.¹¹ In explaining to the House of Commons the rationale for the changes to the way school funding was allocated, Ms Greening outlined how the formula would better direct funding to where it was required:

This is an historic reform. It means, for the first time, the resources that the government is investing in our schools will be distributed

⁶ Department for Education, [The National Funding Formula for Schools and High Needs: Policy Document](#), September 2017, p 8.

⁷ Education Funding Agency, [Schools Forum: A Guide for Schools and Academies](#), 26 March 2015.

⁸ Department for Education, [The National Funding Formula for Schools and High Needs: Policy Document](#), September 2017, p 9. For further background information on the pupil premium see: House of Commons Library, [The Pupil Premium](#), 17 April 2018.

⁹ Education and Skills Funding Agency, [‘16 to 19 Education: Funding Guidance’](#), accessed 16 November 2018. For further information on 16–19 education funding in England see: House of Commons Library, [16–19 education funding in England since 2010](#), 7 November 2018.

¹⁰ House of Commons Library, [School Buildings and Capital Funding \(England\)](#), 28 February 2018. For further information see: National Audit Office, [‘Capital Funding for Schools’](#), 22 February 2017.

¹¹ [HC Hansard, 17 July 2017, cols 563–7.](#)

according to a formula based on the individual needs and characteristics of every school in the country.¹²

This briefing outlines the NFF for the schools and high needs blocks. For information on the NFF for the early years block, see the House of Commons Library's briefing, [New Early Years Funding Formula from 2017–18, Including Maintained Nursery Schools \(England\)](#) (13 September 2017); and for information on the central services block NFF see chapter 5 of the Department for Education's, [The National Funding Formula for Schools and High Needs: Policy Document](#) (September 2017).

1.3 National Funding Formula for Schools

The schools NFF is comprised of 14 factors that can be grouped into four areas: basic per pupil funding, additional needs funding, school-led funding, and geographic funding.¹³ For 2019/20:

- Basic per-pupil funding will account for 73.1% of the total formula or £24.5 billion;
- additional needs funding will have a total spend of £5.9 billion that accounts for 17.6% of the total formula; and
- school-led funding will account for 8.8% of the total formula and a total spend of £2.9 billion.¹⁴ With the school-led funding, every school is allocated a lump sum of £110,000 through the NFF. The physically remote primary schools will receive a further £25,000, and the physically remote secondary schools will receive a further £65,000 through the sparsity factor.¹⁵

Implementation of the Schools NFF

The Government confirmed in a September 2017 NFF policy document that it would operate a 'soft' formula because it acknowledged "the importance of stability for schools" as the way they are funded has changed.¹⁶ Under this system, the NFF will be used to set notional budgets for each school which are aggregated to give the total schools block budget for each local

¹² [HC Hansard, 14 September 2017, cols 1024–7.](#)

¹³ For further information on these factors, see: Department for Education, [The National Funding Formula for Schools and High Needs: Policy Document](#), September 2017, pp 11–21. For the unit values, total funding and proportion of spend through each factor in the 2019/20 formula, see: Department for Education, [The National Funding Formulae for Schools and High Needs 2019 to 2020](#), July 2018, p 10.

¹⁴ Department for Education, [The National Funding Formulae for Schools and High Needs 2019 to 2020](#), July 2018, p 10.

¹⁵ *ibid.*

¹⁶ Department for Education, [The National Funding Formula for Schools and High Needs: Policy Document](#), September 2017, p 7.

authority.¹⁷ Local authorities are subsequently able to share this funding out between schools in their area (subject to statutory regulations). The Department for Education outlined that the schools NFF would operate as a ‘soft’ formula in 2018/19 and 2019/20.¹⁸ In July 2018, “in order to continue to support a smooth transition”, the Government outlined how this would be extended to 2020/21 as well.¹⁹ Plans for beyond 2020/21 have not yet been announced but the Government has previously stated that it intends to introduce a ‘hard’ funding formula following the transition period. A ‘hard’ formula would remove local authorities out of the distribution process for core school funding with individual school budgets being set based on the same, single national formula.²⁰

The schools NFF arrangements are being phased in and transitional protections have been applied at a school level to cover core school funding²¹. The two parts to the transitional protection are:

- A gains cap where gains for underfunded schools will be capped at 3% in 2018/19 and a further 3% in 2019/20.²²
- A minimum per pupil funding level which is applied after the gains cap.²³

The Department for Education has claimed that the final NFF arrangements:

[W]ill provide for up to 6% gains per pupil for underfunded schools by 2019/20, and, as a minimum, a 0.5% per pupil cash increase in 2018/19, and a 1% increase by 2019/20 compared to their baselines, in respect of every school.²⁴

On minimum funding levels, the Government has stated that all secondary schools would attract a minimum of £4,600 for 2018/19 and £4,800 per pupil by 2019/20; primary schools would attract a minimum funding level of £3,300 for 2018/19 and £3,500 per pupil by 2019/20.²⁵ However, under the soft formula, the inclusion of these minimum levels are dependent on

¹⁷ Department for Education, [The National Funding Formula for Schools and High Needs: Policy Document](#), September 2017, p 7.

¹⁸ *ibid.*

¹⁹ Department for Education, [The National Funding Formulae for Schools and High Needs 2019 to 2020](#), July 2018, p 3.

²⁰ Department for Education, [The National Funding Formula for Schools and High Needs: Executive Summary](#), September 2017, p 6.

²¹ Department for Education, [Schools Block National Funding Formula: Technical Note](#), September 2017, p 35.

²² *ibid.*

²³ *ibid.*

²⁴ Department for Education, [The National Funding Formula for Schools and High Needs: Executive Summary](#), September 2017, p 5.

²⁵ *ibid.*

whether local authorities decide to include such measures in their individual funding formulas.²⁶

A Department for Education report outlined that, as of July 2018, 73 local authorities had moved every one of their factor values in their local formulae closer to the national funding formula with 41 mirroring the national funding formula factor values.²⁷ In light of this, the Government has concluded that significant progress has been made in the implementation of a full national funding formula.²⁸

Further information on the schools formula is provided in chapter 3 of [The National Funding Formula for Schools and High Needs Policy Document](#) (September 2017)

1.4 National Funding Formula for High Needs

High needs funding is largely for children with special educational needs and disabilities (SEND) and the Government has said that this funding has increased. In answer to a written question on 12 November 2018, the Parliamentary Under Secretary of State for the School System, Lord Agnew of Oulton, said:

[...] High needs funding across England has risen by £1 billion since 2013 and will be over £6 billion next year.

Previously underfunded local authorities are seeing significant increases to their high needs funding, up to 6% per head of the 2 to 18 population in 2019 to 2020 compared to what they planned to spend in 2017 to 2018.²⁹

Local authorities are receiving high needs funding calculated by a specific NFF from 2018/19.³⁰ There are several factors that make up the formula allocation that include but are not limited to: a basic entitlement that ensures local authorities receive resources for all the pupils they fund in their area; a historic spend factor that is based on 50% of local authorities' existing high needs spending; and proxy factors such as population, school attainment, deprivation and health and disability.³¹

²⁶ House of Commons Library, [Implementation of the National Funding Formula for Schools in England](#), 10 November 2017, p 6.

²⁷ Department for Education, [The National Funding Formulae for Schools and High Needs 2019 to 2020](#), July 2018, p 3.

²⁸ *ibid.*

²⁹ House of Lords, '[Written Question: Special Educational Needs: Finance](#)', 12 November 2018, HLI1094.

³⁰ Department for Education, [The National Funding Formula for Schools and High Needs: Executive Summary](#), September 2017, p 11.

³¹ *ibid.*

The funding floor has been increased from the 2017/18 high needs spending baseline by 0.5% in 2018/19 and will be increased 1% per head by 2019/20. These increases in the funding floor factor are reported to benefit 81 local authorities.³²

Further information on the high needs formula is provided in chapter 4 of [The National Funding Formula for Schools and High Needs Policy Document](#) (September 2017).

1.5 Impact of the National Funding Formula

In a debate on education funding on 13 November 2018, the Education Secretary, Damien Hinds, said that as a result of the new NFF:

[We] have given every local authority more money in cash terms for every pupil in every school, while allocating the biggest increases to the schools that have been most underfunded.³³

The Department for Education has published data that outlines the possible impact of the schools NFF for schools and local authorities for 2019/20.³⁴ To demonstrate this school-level impact of the NFF, the data includes notional school-level allocations in addition to illustrative NFF funding as if it had been implemented in full without transition. The illustrative no-transition figures are not allocations for any specific year but have been produced to provide a better understanding of the NFF outside transitional protection.³⁵

For data on the impact of the NFF on school funding by local authority and by parliamentary constituency, see the Department for Education's [‘Workbook on Local Authority DSG Allocations’](#) (accessed 21 November 2018).

On 25 April 2018 in a debate on school funding, Angela Rayner, the Shadow Education Secretary, opposed the Government's arguments that the NFF would result in a cash increase per pupil in every school. She said that the NFF “allows for reductions of up to 1.5% in per pupil funding for schools”.³⁶

In October 2018, the House of Commons Education Committee opened an inquiry into school and college funding. In their evidence to the committee, the education unions welcomed the introduction of an NFF but expressed a

³² Department for Education, [The National Funding Formula for Schools and High Needs: Executive Summary](#), September 2017, p 12.

³³ [HC Hansard, 13 November 2018, col 247.](#)

³⁴ Department for Education, [National Funding Formula: Impact of the Schools National Funding Formula](#), July 2018. For data on the impact of the high needs formula, see: Department for Education, [Impact of the High Needs NFF, 2019 to 2020](#) (24 July 2018).

³⁵ Department for Education, [Impact of the Schools NFF, 2019 to 2020](#), 24 July 2018.

³⁶ [HC Hansard, 25 April 2018, cols 889–91.](#)

series of concerns. Valentine Mulholland, head of policy at the National Association of Headteachers, welcomed the introduction of the formula but went on to say:

[...] what we still have is a halfway house to a national funding formula. There is a calculation at a school level as to what each school should receive, but then it is put together at a local authority level. Local authorities make really different decisions. The intention was that this would last until March 2020 and be reviewed.

This summer we were very sorry to see the Government extend that for another further year. We still have 150 funding formulae. I can still tell you that there are primary schools in the country that do not receive £3,300 of minimum funding. That is the first problem.

The second problem is that, clearly, at a time when the actual funding sum is under such pressure, as we have just been discussing, the ability for schools and local authorities that were identified as being underfunded to reach the level that the formula demonstrates has been severely hampered. There is a cap, and that cap means that in some local authorities it is having a really, really big impact, and even more so for high-needs funding.³⁷

In written evidence submitted to the committee, the WorthLess? campaign group for fair school funding stated:

The majority of schools confirm that they are worse off under the NFF. The Government must stop saying that it is spending more on education than ever before, when it simply ignores rising pupil numbers and increasing costs.

This well-worn government mantra is causing great resentment across our profession.³⁸

1.6 Investment in Schools and High Need Funding

Nick Gibb, the Minister of State for School Standards, in a statement to the House of Commons on 25 April 2018, summarised recent investment (that included high needs provision) by the Government into schools:

School funding is at a record high and schools have benefitted from the introduction of the national funding formula, which came into force in

³⁷ House of Commons Education Committee, [Oral Evidence: School and College Funding, HC 969](#), 6 November 2018, Q 79.

³⁸ House of Commons Education Committee, [Written Evidence: WorthLess? FUN0100](#), 2 July 2018.

April. The new formula is supported by our investment of an additional £1.3 billion in the core schools budget, on top of what was announced at the last spending review.

Core schools funding will rise from almost £41 billion last year, to £42.4 billion this year and £43.5 billion in 2019/20. This means that real terms per pupil funding in 2020 will be more than 50% higher than it was in 2000.³⁹

The Government has stated that this £1.3 billion investment for schools and high needs will enable them to maintain per-pupil spending on the schools and high needs blocks in real terms.⁴⁰

1.7 Budget 2018

In the 2018 budget, Philip Hammond, the Chancellor of the Exchequer, announced £400 million additional in-year capital funding for schools:

We are investing record amounts in our schools and that investment is paying off, with 86% of schools now rated good or outstanding, compared to 68% in 2010. But I recognise that school budgets often do not stretch to that extra bit of kit that would make such a difference. So today I am announcing a £400 million in-year bonus to help our schools buy the little extras they need—a one-off capital payment directly to schools, averaging £10,000 per primary school and £50,000 per secondary school.⁴¹

With reference to this £400 million extra capital funding, the Department for Education has said that it “expect[s] an average size primary school to receive £10,000 and an average size secondary school to receive £50,000”.⁴²

Further to this, the budget provided funding for a £10 million regional trial to test how the retention of early career maths and physics teachers can be improved.⁴³

Following the 2018 budget, three education unions—the National Education Union (NEU), the National Association of Headteachers (NAHT), and the

³⁹ House of Commons, [‘Written Statement: Schools: Response to the Resolution of the House’](#), 25 April 2018, HCWS876. For changes in revenue allocated to primary and secondary education from 2005 to 2018, see: House of Commons, [‘Written Question: Pupils: Per Capita Costs’](#), 10 May 2018, 138943.

⁴⁰ Department for Education, [‘The National Funding Formula for Schools and High Needs: Policy Document’](#), September 2017, p 10.

⁴¹ [HC Hansard, 29 October 2018, col 658.](#)

⁴² Department for Education, [‘Additional Capital Funding for 2018 to 2019’](#), 2 November 2018.

⁴³ HM Treasury, [‘Budget 2018’](#), October 2018, p 76.

Association of School and College Leaders (ASCL)—announced that they would simultaneously consult their respective members on what steps to take on school funding:

The three unions are dismayed by the lack of understanding shown by the Chancellor in his comment that the £400 million “bonus” announced last Monday would help schools “buy the little extras they need.”

This allocation does not remotely address the 8% real-terms decline in total school spending per pupil over the past eight years, including cuts of over 20% to school sixth-form funding.

Nor does the one-off allocation supply full funding for the teacher or support staff pay rises that the Government has agreed.

These funding pressures have resulted in cuts to curriculum options, enrichment activities, individual student support, classroom resources and maintenance budgets.⁴⁴

The leader of the WorthLess? campaign, Jules White, who is a headteacher at Tanbridge House School in West Sussex, said in response to the budget:

[...] there is a feeling of much too little, much too late. Billions of pounds have been taken out of school budgets, whilst hundreds of thousands of children are joining our schools.

The effects of a diminished curricular offer and increased class sizes tell only part of the story. In short, schools are functioning on empty, and a few thousand pounds here and there simply does not cut it.⁴⁵

2. Changes to School Funding

2.1 What did the National Funding Formula Replace?

Prior to the Government’s funding reforms, the primary source of revenue for state-funded schools in England for 5- to 16-year old students was through the DSG; there was no national formula used to calculate its allocations for local authorities. Instead, a key determining factor of the funding allocated to local authorities in its schools block was how much they

⁴⁴ National Education Union, [‘Three Education Unions to Simultaneously Consult Members after Budget Fails to Address Funding Crisis’](#), 5 November 2018.

⁴⁵ Sally Weale, [‘Schools Angry Over Hammond’s Budget Cash for Little Extras’](#), *Guardian*, 30 October 2018.

had received per pupil in the previous year.⁴⁶

To allocate DSG funding to schools in their area, local authorities were first required to consult with their local schools forum to decide the split of the grant between central expenditure and the individual schools budget.⁴⁷ They were then responsible for allocating money to schools using a local funding formula that met the conditions set out by the Education Funding Agency.⁴⁸

In 2018, the Minister of State for School Standards, Nick Gibb referred to this system of funding as an “outdated postcode lottery” that “has placed our schools on an unfair playing field”.⁴⁹ Creating a system of ‘fairer funding’ was a Conservative Party manifesto pledge for the 2017 general election and was also a commitment of the Conservative Government in 2015.⁵⁰

Following a spending review in November 2015, the then Government confirmed that it would consult on the introduction of an NFF for schools, high needs and early years in 2016. George Osborne, the then Chancellor, announced this plan to the House of Commons:

We will phase out the arbitrary and unfair school funding system that has systematically underfunded schools in whole swathes of the country. Under the current arrangements, a child from a disadvantaged background in one school can receive half as much funding as a child in identical circumstances in another school. In its place, we will introduce a new national funding formula. I commend the many MPs from all parties who have campaigned for many years to see this day come. The formula will start to be introduced from 2017, and my right hon friend the Education Secretary will consult in the new year.⁵¹

The first consultation on a new schools and high needs NFF was announced on 7 March 2016 where proposals on the design and implementation of both formulas were put forward.⁵² The consultation closed on 17 April 2016. A second phase consultation was announced on 14 December 2016 where

⁴⁶ House of Commons Library, [School Funding in England: Current System and Proposals for ‘Fairer School Funding’](#), 12 June 2017, pp 8–9; and Education and Skills Funding Agency, [Dedicated Schools Grant: Technical Note 2016 to 2017](#), December 2015, p 4.

⁴⁷ Education Funding Agency, [Dedicated Schools Grant: Conditions of Grant 2017 to 2018](#), December 2016, p 5.

⁴⁸ *ibid*, pp 5–6.

⁴⁹ House of Commons, [‘Written Statement: Schools Update’](#), 24 July 2018, HCWS911.

⁵⁰ Conservative Party, [Conservative Party Manifesto 2017](#), 18 May 2017, p 51; and Department for Education, [The National Funding Formula for Schools and High Needs: Policy Document](#), September 2017, p 3.

⁵¹ [HC Hansard, 25 November 2015, col 1370](#).

⁵² Department for Education, [‘Schools National Funding Formula’](#), 7 March 2016; and [‘High Needs Funding Reform’](#), 7 March 2016.

illustrative figures were provided with the proposals.⁵³ The consultation closed on 22 March 2017.⁵⁴

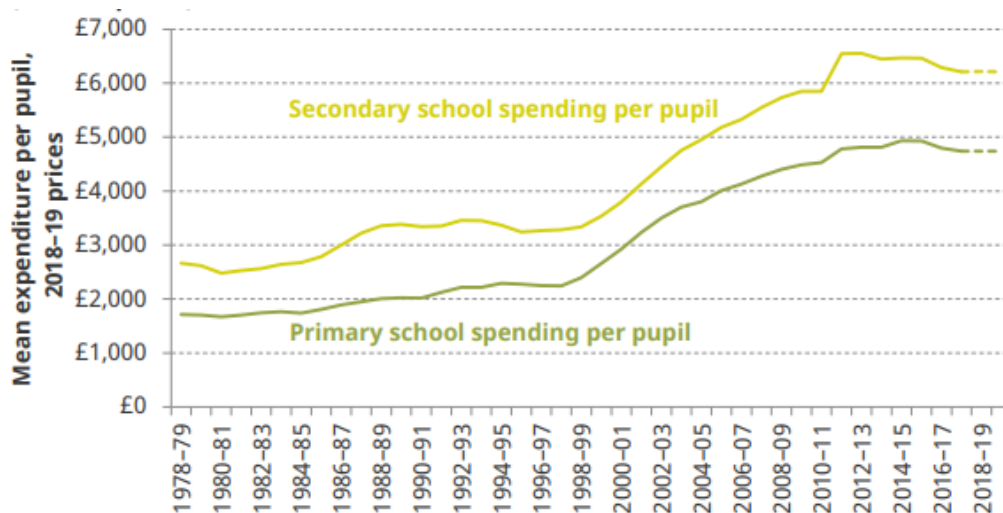
For further information on school funding policy changes, see the following House of Commons Library briefings that together chart policy changes to school funding between 2006 and 2016:

- [School Funding in England: Current System and Proposals for 'Fairer School Funding'](#), 12 June 2017, pp 38–45
- [School Funding: 2006–2010 Policy Changes Under the Labour Government](#), 29 November 2013

2.2 Statistics on Changes in School Funding

Chart I, from the Institute for Fiscal Studies (IFS) report on education spending in England published on 17 September 2018, outlines IFS estimates for the level of primary and secondary school spending per pupil in England from 1978/1979 in 2018/19 prices. It also includes projections for the level of spending per pupil based on policy announcements up to 2019/20.

Chart I: Spending per pupil in Primary and Secondary Schools, Actual and Plans (2018/19 Prices)



(Source: Institute for Fiscal Studies, [2018 Annual Report on Education Spending in England](#), 17 September 2018, p 29)

⁵³ Department for Education, '[Schools National Funding Formula: Stage 2](#)', 14 December 2016; and '[High Needs Funding Reform: Stage 2](#)', 14 December 2016.

⁵⁴ For information on the NFF consultations see: House of Commons Library, [School funding in England: Current System and Proposals for 'Fairer School Funding'](#), 12 June 2017, pp 15–25.

The IFS concluded that primary and secondary school spending per pupil increased by over 50% in real terms between 2000/01 and 2010/11 and was largely protected in real terms after 2010.⁵⁵ Even with a decline in spending per pupil since 2015/16, they went on to write that current spending per pupil is more than 60% higher in real terms than in 2000/01.⁵⁶ Despite this increase, the IFS placed such changes into a wider financial context:

Total school spending per pupil fell by 8% in real terms between 2009/10 and 2017/18, and will only be about 14% higher in real terms in 2017/18 than in 2003/04. This adds on the additional effect of a 55% real-terms cut in local authority service spending and a real-terms cut of more than 20% to school sixth-form spending per student between 2009/10 and 2017/18. Spending per pupil by individual schools was partly buttressed by transfers of responsibility and funding from local authorities to schools. This total measure is probably the most comprehensive measure of public spending on schools over time.⁵⁷

When questioned on the IFS's claim that school funding per pupil had fallen by 8% since 2009/10, the Government responded by highlighting their recent investment into the education system:

[...] There are 1.9 million more children studying in good or outstanding schools since 2010, and the 2017 phonics screening check shows that there are now 154,000 more six-year olds were on track to be fluent readers than in 2012. The gap between disadvantaged pupils and their peers, measured by the department's attainment gap index, has narrowed by 10.5% at key stage 2 and 10% at key stage 4 since 2011, the year the pupil premium was introduced. This means better prospects for a more prosperous life as an adult for disadvantaged pupils.⁵⁸

3. Wider School Funding Context

The debate on school funding has taken place within the wider context of a concern around the overall sufficiency of the level of funding schools can access. The Government's argument, that "school funding is at a record high" and the change are a "historic move to fairer funding" has been challenged. Angela Rayner, the Shadow Education Secretary, has said that "the Education Secretary was in denial" and that "school spending is

⁵⁵ Institute for Fiscal Studies, [2018 Annual Report on Education Spending in England](#), 17 September 2017, p 6.

⁵⁶ *ibid.*

⁵⁷ *ibid.*

⁵⁸ House of Lords, '[Written Question: Pupils: Per Capita Costs](#)', 26 July 2018, HL9560. The question was based on an IFS analysis published in July 2018 setting out the same 8% figure (Institute for Fiscal Studies, '[School Funding per Pupil Falls Faster in England than in Wales](#)', 12 July 2018).

£1.7 billion lower in real terms than it was five years ago”.⁵⁹ Teachers and education unions have also expressed concern around increasing cost pressures associated with a reduction in the level of funding they can access.⁶⁰ Sections 3.1 to 3.4 of this briefing summarise some of this commentary and other recent policy developments.

3.1 National Audit Office Report: Financial Sustainability of Schools

In December 2016, the National Audit Office (NAO) published a report into the financial sustainability of schools based on the then Government’s spending plans. It provides a useful overview of financial pressures faced and the subsequent impact on schools. The NAO report found:

The Department’s overall schools budget is protected in real terms but does not provide for funding per pupil to increase in line with inflation. In the 2015 Spending Review, the government increased the schools budget by 7.7% from £39.6 billion in 2015/16 to £42.6 billion in 2019/20. This is a real-terms increase that protects the overall budget from forecast inflation. The Department estimates that the number of pupils will rise over the same period: a 3.9% (174,000) increase in primary school pupils and a 10.3% (284,000) increase in secondary school pupils. Therefore, funding per pupil will, on average, rise only from £5,447 in 2015–16 to £5,519 in 2019–20, a real-terms reduction once inflation is taken into account.

The Department estimates that mainstream schools will have to find savings of £3.0 billion to counteract cumulative cost pressures. Pay rises, the introduction of the national living wage, higher employer contributions to national insurance and the teachers’ pension scheme, non-pay inflation and the apprenticeship levy will mean additional costs for schools. The Department estimates that, to counteract these pressures, schools will need to make economies or efficiency savings of £1.1 billion (equivalent to 3.1% of the total schools budget) in 2016/17, rising to £3.0 billion (8.0%) by 2019/20. This equates to an 8.0% real-terms reduction in per-pupil funding between 2014/15 and 2019/20 due to cost pressures.⁶¹

Based on interviews conducted with a sample of 24 head teachers by the Department for Education, the report underlines the response schools have taken to funding constraints:

[H]ead teachers commonly: increase teachers’ contact time, class sizes

⁵⁹ [HC Hansard, 13 November 2018, cols 237–9.](#)

⁶⁰ For example: National Education Union, ‘[School Funding Crisis](#)’, 3 April 2018.

⁶¹ National Audit Office, [Financial Sustainability of Schools](#), 14 December 2016, HC 850 of session 2016–17, p 7.

and the amount of teaching undertaken by senior staff; and reduce supply teacher costs and the size of leadership teams. Reducing numbers of teaching assistants was less common. The small sample of schools we visited also told us how they planned to cut staff costs. This included: replacing more experienced, higher-paid teachers with younger, less expensive recruits; recruiting staff on temporary contracts; encouraging staff to teach outside of their specialism; and relying more on unqualified staff.⁶²

3.2 Education Union Surveys on School Funding

A survey conducted by the NAHT on school and academy funding for 2017/18 received 589 responses from head teachers and school business leaders. On the impact of school funding, the survey showed that 65% of respondents said they strongly agreed that reductions made in their spending resulted in a negative impact on the performance of the school.⁶³

An NEU survey of 900 members in local authority schools and academies outlined the alleged impact of funding cuts on schools with all figures in the 2018 survey reportedly higher than in the 2017 survey.⁶⁴

- Over half of all respondents (55%) said that class sizes had risen since last year.
- Over half reported that teaching posts had been cut, with 80% reporting teacher assistant posts and 60% reporting other support staff posts had been cut.
- Over three quarters reported cuts in spending on books and equipment.
- Almost two thirds reported cuts in special educational needs provision.
- One in five reported that their school had been driven to ask parents for financial contributions to help with funding.⁶⁵

3.3 Teachers' Pay and Pensions

On 24 July 2018, the Education Secretary, Damien Hinds, announced a fully funded pay rise of up to 3.5% for classroom teachers, 2% for those on the upper pay range, and 1.5% for those in leadership positions.⁶⁶ Mr Hinds

⁶² National Audit Office, *Financial Sustainability of Schools*, 14 December 2016, HC 850 of session 2016–17, p 29.

⁶³ National Association of Headteachers, '[Breaking Point 2017/18: A Snapshot of the Continuing Crisis in School and Academy Funding](#)', 22 March 2018, p 2.

⁶⁴ National Education Union, '[Impact of School Funding Cuts](#)', 3 April 2018, p 1.

⁶⁵ *ibid.*

⁶⁶ Department for Education, '[Government to Fund Pay Rise for Teachers](#)', 24 July 2018. For further details on school teachers' pay, see: [Department for Education, School Teachers' Pay and Conditions Document 2018 and Guidance on School Teachers' Pay and Conditions](#), September 2018.

stated that this pay increase would be funded by a new teachers' pay grant worth £187 million in 2018/19 and £321 million in 2019/20 and would be paid to all schools in addition to their core budgets from the NFF.⁶⁷ In a statement to the House of Commons, the Minister of State for School Standards, Nick Gibb, said the funding would “cover in full, the difference between this award and the cost of the 1% award that schools would have anticipated under the previous public sector pay cap”.

NAHT, NEU, and the Association of School and College Leaders (ACSL) welcomed this announcement for additional funding but expressed concern at the claim that the pay award was fully funded and suggested that this could lead to further cost pressures:

The pay award is not fully funded. The Department for Education is still expecting schools to fund 1% of the cost from severely strained budgets, and is only funding the additional expenditure above 1% [...].⁶⁸

3.4 Campaigns on School Funding

School Cuts is a national campaign that calls on the Government to provide additional funding to schools to offset the funding lost in real terms. It was launched by the National Union of Teachers and the Association of Teachers and Lecturers (now merged with the NEU) in November 2016.⁶⁹ The School Cuts website provides an interactive platform that enables users to explore how individual schools are affected by changes in real term core school funding between 2015 and 2020.⁷⁰

Responding to a question on school cuts, Nick Gibb, Minister of State for School Standards, challenged the idea that schools were facing cuts to their funding and argued that the campaign was “misleading”:

It is taking the cost pressures that we have acknowledged and telling the public that those are funding cuts. I have been clear that no school has had a funding cut. School funding went up in real terms per pupil in the last parliament, and that increase has been maintained in real terms.⁷¹

⁶⁷ Department for Education, '[Government to Fund Pay Rise for Teachers](#)', 24 July 2018.

⁶⁸ National Union of Head Teachers, Association of School and College Leaders, and the National Education Union, '[Joint Union Response on Teachers' Pay](#)', 24 July 2018.

⁶⁹ National Education Union, '[New School Cuts Interactive Website Shows Devastating Effects of Government's School Funding Plans](#)', 4 November 2016.

⁷⁰ School Cuts, '[About](#)', accessed 19 November 2018.

⁷¹ [HC Hansard, 22 May 2018, col 326.](#)

Recent Action from Education Unions and Campaign Groups

A march and rally coordinated by the NEU, NAHT, Unison, the NEU Councillors Network, SEND National Crisis, Special Needs Jungle, Save Our Schools, and Fair Funding for Schools, was held on 20 November 2018. Their aim was to “reverse school cuts”, increase funding for high needs, early years and post-16 and implement and fully fund the School Teachers’ Review Body (STRB) pay recommendations.⁷²

This was preceded by a march organised through the WorthLess? campaign on 28 September 2018 where an estimated 2,000 headteachers protested the effects of shrinking budgets in their schools and colleges.⁷³ They delivered a letter to Chancellor Philip Hammond about funding and emphasised school budget issues after “seven years of austerity”.⁷⁴

4. Further Reading

- Maire Williams and Hilary Grayson, ‘[School Funding in England Since 2010: What the Key Evidence Tells Us](#)’, *National Foundation for Educational Research*, January 2018
- Jon Andrews and Tom Lawrence, ‘[School Funding Pressures in England](#)’, *Education Policy Institute*, March 2018
- Natalie Perera et al, ‘[The Implications of the National Funding Formula for Schools](#)’, *Education Policy Institute*, March 2017
- House of Commons Library, [School Funding in England: FAQs](#), 7 November 2018

⁷² National Education Union, ‘[Enough is Enough! March for Education](#)’, 19 November 2018. For information on STRB pay recommendations, see: School Teachers’ Review Body, [Twenty Eighth Report 2018: Executive Summary](#), 24 July 2018.

⁷³ Richard Adams, ‘[A Complete Crisis: 2,000 School Leaders Rally Against Cuts](#)’, *Guardian*, 28 September 2018.

⁷⁴ *ibid.*