

Analysis of School Funding Announcements September 2019



- Most schools still lower funded than 2015, with children continuing to lose out
- Most money going to most affluent areas
- Sixth form pupils still very hard hit, underlying why 30% of secondary schools are in deficit
- Maintained nursery schools at risk of closure from next August
- High needs crisis continues

This analysis looks at the three Government announcements at the end of August.

- [School funding](#)
- [16-19 funding](#)
- [£30,000 starting salary for NQTs](#)

Teacher pay rise

The teacher pay rise for NQTs amounts to 23% over three years or 7.2% a year. To determine the cost of this, we have made some assumptions:

- Teachers on the Upper Pay Range and the Leadership Pay Range will receive 3% a year.
- Teachers on M6 will receive 3% a year.
- Teachers on M2 to M5 will receive a tapered increase which will narrow differentials.

These aren't the pay rises we think are necessary, which would be higher. But it would not be credible to increase starting pay by 7.2% per annum without at least 3% on upper and leadership spines. These are therefore, in our view, minimum pay rises. They lead to conservative estimates of the number of schools that will continue to face financial difficulties. We look forward to seeing the Government's assessment of how much schools can afford to increase teacher pay in the Secretary of State's remit letter to the School Teachers Review Body.

| | Annual pay rise | Cumulative pay rise |
|----|------------------------|----------------------------|
| M1 | 7.2% | 23% |
| M2 | 6.3% | 20% |
| M3 | 5.5% | 17% |
| M4 | 4.7% | 14% |
| M5 | 3.9% | 12% |
| M6 | 3.0% | 9% |

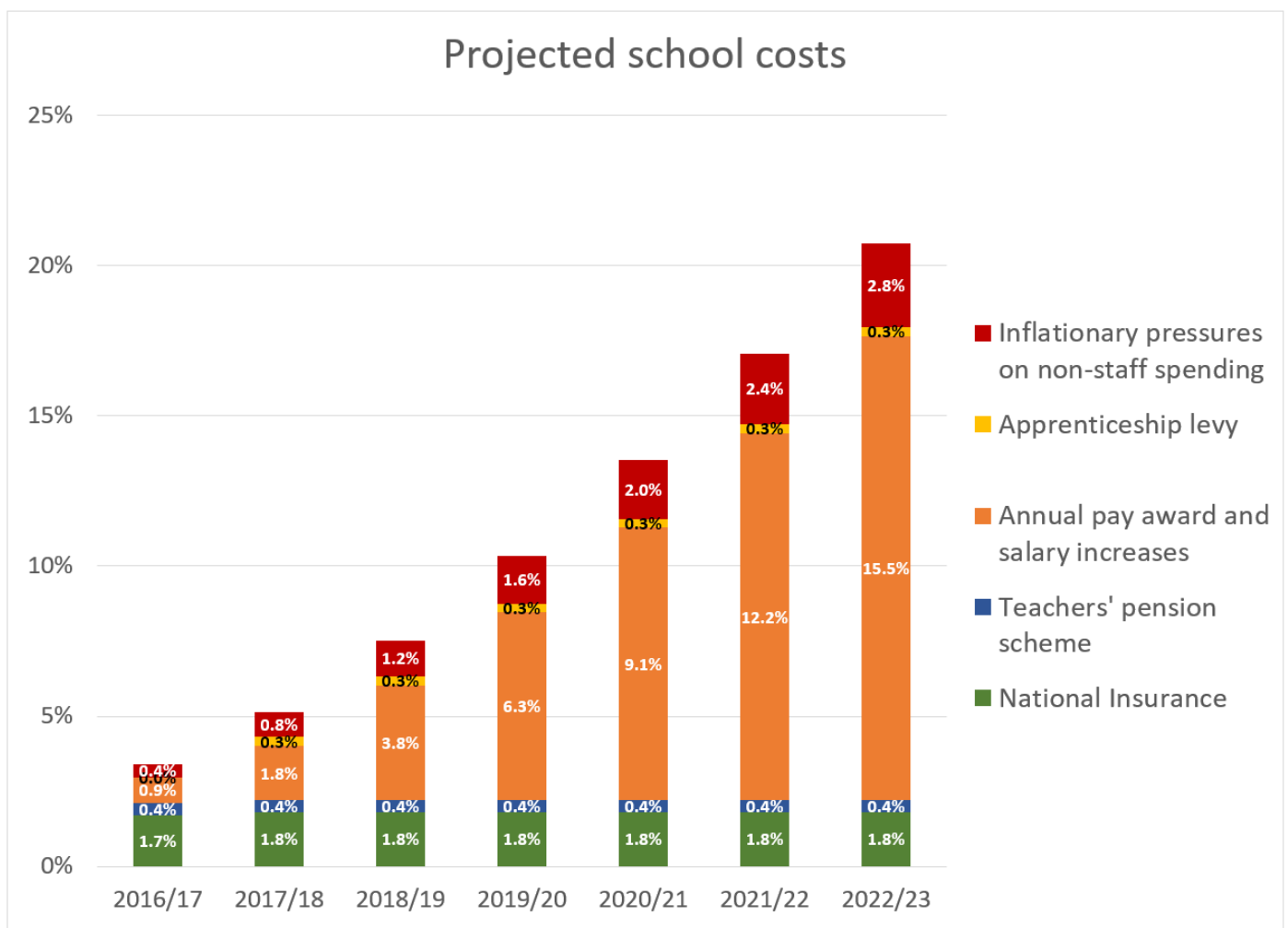
This gives the following average awards:

| Pay range | Annual pay rise | Cumulative pay rise | Share of total pay |
|----------------|-----------------|---------------------|--------------------|
| MPR | 5.1% | 16.1% | 32% |
| UPR | 3.0% | 9.3% | 45% |
| LPR | 3.0% | 9.3% | 23% |
| Average | 3.7% | 11.5% | |
| | | | |
| Cost | £0.88bn | £2.76bn | |

School Costs

We can update our expected school costs index with this teacher pay increase of 3.7% a year. We assume that support staff will receive an average of 3.1% a year – this is same as the award for the last two years and is due to the increase in the National Living Wage. Non-school costs are estimated using the GDP deflator, roughly 2% a year.

This results in school costs rising by 9.4% over the next three years or 3% a year. This is only marginally higher than the current rate of increase of 2.5%.



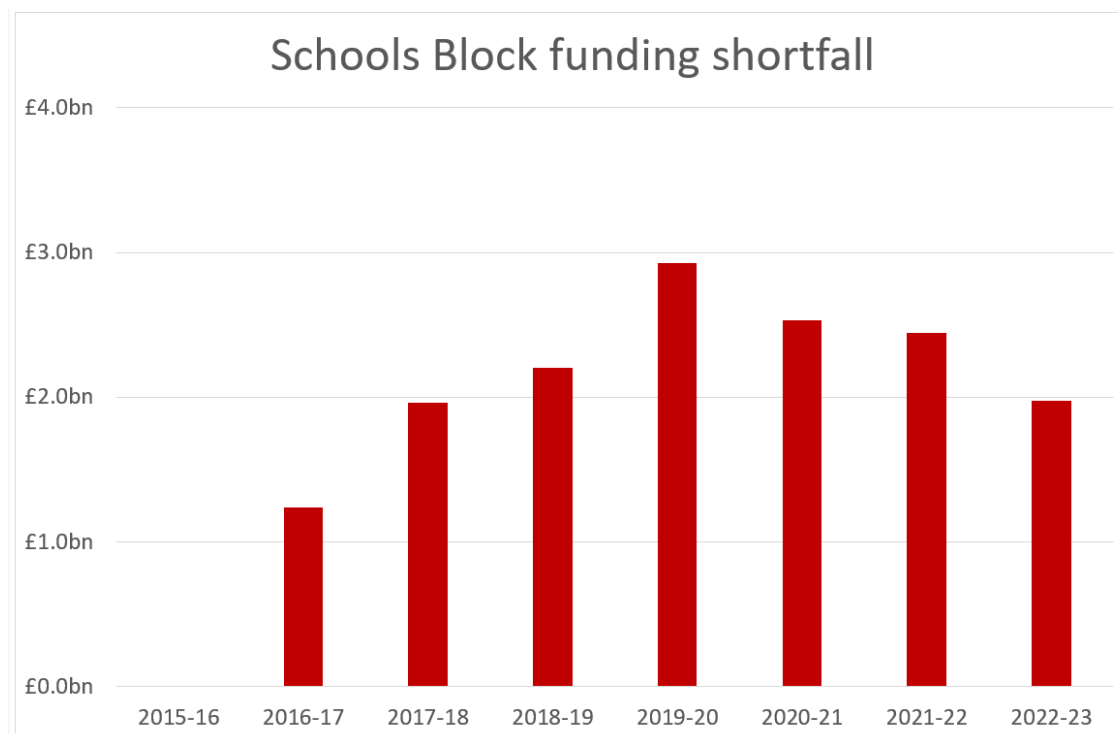
Schools Block

Per pupil funding has declined in real terms since 2015. The shortfall, compared with 2015, currently stands at £2.9bn. Despite the additional funds recently announced by the Government, our analysis reveals that this shortfall will still be £2bn by the end of the period.

The announcement increases the core schools' budget by £2.6bn in 2020/21, £4.8bn in 2021/22 and £7.1bn in 2022/23. In the first year, the Schools Block will increase by £1.9bn and the High Needs Block by £0.7bn. We have assumed that the Government will increase the proportion of the core schools budget that goes to the Schools Block in future years to allow the funding shortfall to fall.

However, there is a significant risk that the scale of the need in High Needs block will force the Government to divert money from schools. This has been the pattern over the last few years.

| Year | Actual | Necessary | Gap |
|---------|---------|-----------|---------|
| 2015-16 | £32.2bn | £32.2bn | £0.0bn |
| 2016-17 | £32.7bn | £33.9bn | -£1.2bn |
| 2017-18 | £33.1bn | £35.1bn | -£2.0bn |
| 2018-19 | £34.3bn | £36.5bn | -£2.2bn |
| 2019-20 | £35.1bn | £38.0bn | -£2.9bn |
| 2020-21 | £37.0bn | £39.5bn | -£2.5bn |
| 2021-22 | £38.6bn | £41.1bn | -£2.4bn |
| 2022-23 | £40.6bn | £42.5bn | -£2.0bn |



Distribution

The Government has also announced that every secondary school will receive a minimum funding level of £5,000 per pupil next year and a minimum of £3,750 for primary children. In addition, the Government is consulting on making these minimums binding on Schools Forums.

The National Funding Formula (NFF) rates will be increased by about 4%.

All schools that are below their final NFF funding rate will be moved up to it in April.

All schools that are funded above the NFF rate will receive a funding increase of 1.84%, the GDP deflator for April.

In addition, the Teacher Pay Grant will continue to be paid to all schools to contribute to teacher pay rises for 2018 and 2019. This amounts to roughly £500m.

School costs are estimated at 2.9% for next year, so 6,192 schools (31%) will have to make further cuts next year. At the moment, 91% of schools have real terms cuts compared with 2015. This will go down to 81% in April and 66% in three years.

| Phase | Change in per pupil funding 2015/16 to 2020/21 | Schools with funding shortfall 2020/21 | Schools with funding shortfall 2022/23 | Schools with more cuts in 2020/21 |
|-----------|------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|
| Primary | -£205 | 81% | 66% | 31% |
| Secondary | -£229 | 81% | 67% | 28% |

The distribution of additional funding by deprivation is stark. The extra money largely goes to schools that serve the most affluent communities. Secondary schools with less than 5% of children on free school meals will have cuts by next April of £33 per child compared with 2015, whereas schools serving the most deprived children will have cuts of £427 per child.

| Free School Meals band | Change in per pupil funding 2015/16 to 2020/21 | Schools with funding shortfall 2020/21 | Schools with funding shortfall 2022/23 | Schools with more cuts in 2020/21 | Percent FSM |
|------------------------|------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|-------------|
| 1st | -£343 | 88% | 79% | 47% | 41% |
| 2nd | -£306 | 86% | 75% | 43% | 29% |
| 3rd | -£270 | 86% | 73% | 36% | 23% |
| 4th | -£248 | 85% | 72% | 33% | 18% |
| 5th | -£222 | 84% | 69% | 28% | 14% |
| 6th | -£179 | 80% | 61% | 26% | 12% |
| 7th | -£160 | 78% | 60% | 26% | 9% |
| 8th | -£119 | 76% | 57% | 23% | 6% |
| 9th | -£108 | 77% | 58% | 25% | 4% |
| Lowest | -£80 | 72% | 54% | 26% | 2% |

| Free School Meals band | Change in per pupil funding 2015/16 to 2020/21 | Schools with funding shortfall 2020/21 | Schools with funding shortfall 2022/23 | Schools with more cuts in 2020/21 | Percent FSM |
|------------------------|------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|-------------|
| 1st | -£427 | 88% | 79% | 53% | 37% |
| 2nd | -£340 | 84% | 72% | 46% | 26% |
| 3rd | -£291 | 82% | 69% | 37% | 21% |
| 4th | -£290 | 88% | 72% | 34% | 18% |
| 5th | -£263 | 83% | 72% | 30% | 15% |
| 6th | -£250 | 88% | 73% | 24% | 12% |
| 7th | -£203 | 85% | 64% | 18% | 10% |
| 8th | -£184 | 84% | 68% | 20% | 8% |
| 9th | -£123 | 77% | 58% | 11% | 7% |
| Lowest | -£33 | 58% | 45% | 12% | 4% |

There is significant regional variation. London is still the worst hit region. Given the scale of remaining cuts, it is stretch to describe this as levelling up.

| Region | Change in per pupil funding 2015/16 to 2020/21 | Schools with funding shortfall 2020/21 | Schools with funding shortfall 2022/23 | Schools with more cuts in 2020/21 | Percent FSM |
|--------------------------|------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|-------------|
| East Midlands | -£166 | 75% | 57% | 20% | 14% |
| East of England | -£212 | 81% | 63% | 22% | 12% |
| London | -£362 | 92% | 86% | 62% | 18% |
| North East | -£227 | 83% | 66% | 26% | 23% |
| North West | -£256 | 87% | 75% | 38% | 18% |
| South East | -£117 | 76% | 57% | 22% | 11% |
| South West | -£142 | 70% | 51% | 10% | 13% |
| West Midlands | -£257 | 85% | 73% | 40% | 18% |
| Yorkshire and the Humber | -£197 | 79% | 63% | 33% | 18% |

Minimum funding level

773 secondary schools, a quarter, will receive additional funding to lift their funding level to £5,000 per pupil. 2,464 primary schools, 15%, will also receive the funding.

The level of deprivation in these secondary schools varies from schools with no children in receipt of free school meals to 15%. For primary schools, the range is from no children to 19%. On average, 14% of children receive free school meals. A wide range of schools will receive identical funding allocations despite significant differences in need.

The minimum funding protection costs £300m. If the minimum funding level was implemented by an uplift to the Age Weighted Pupil Unit (AWPU), it would cost £4bn.

| Phase | NFF rate in lowest funded school | Uprate necessary |
|-----------|----------------------------------|------------------|
| Primary | £3,254 | £496 |
| Secondary | £4,389 | £611 |

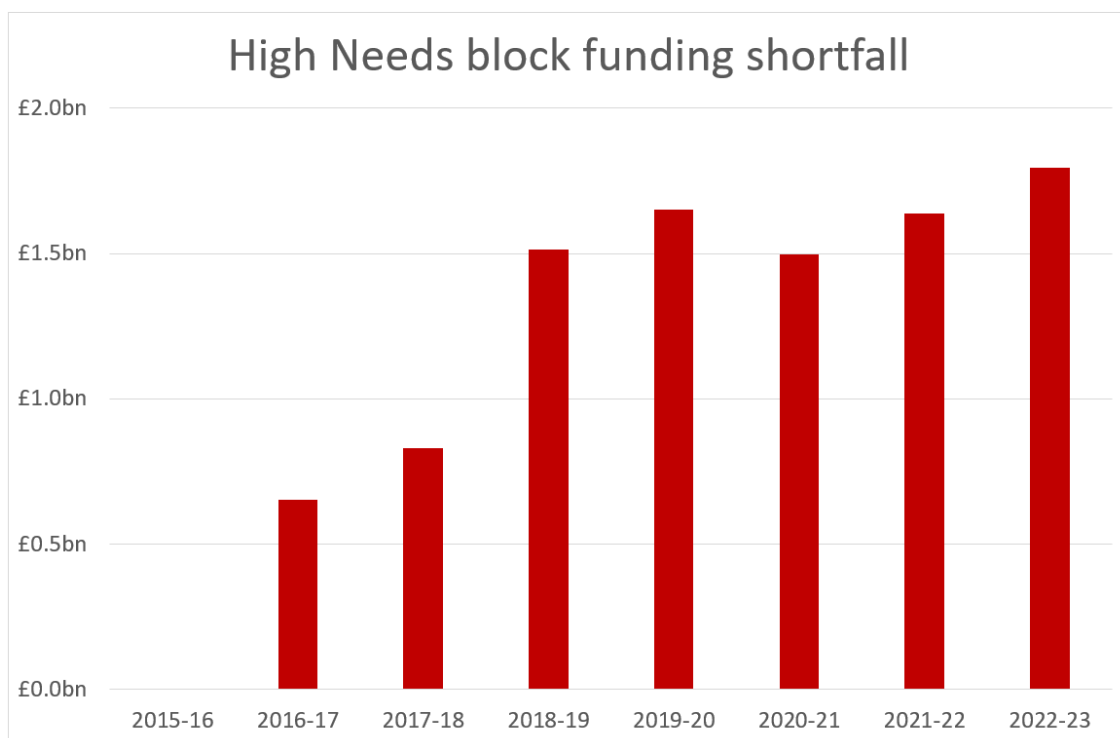
| Phase | AWPU | Pupils 2018/19 | Uprated AWPU |
|---------|--------|----------------|--------------|
| Primary | £2,857 | 4,519,055 | £3,353 |
| KS3 | £4,017 | 1,731,343 | £4,628 |
| KS4 | £4,561 | 1,072,587 | £5,172 |

| Phase | Cost of AWPU increase |
|--------------|-----------------------|
| Primary | £2,240,983,494 |
| KS3 | £1,057,220,508 |
| KS4 | £654,960,491 |
| Total | £3,953,164,493 |

High Needs

The High Needs block, along with the 16-19 budget, is the most stretched. The cost of restoring the value of an Education and Health Care Plan (EHC Plan) to its 2015 value currently stands at £1.7bn. The Local Government Association in its report, "Tipping Point", estimated that the High Needs budget would be overspent by £1.2bn next year, so the Government announcement of £700m is clearly inadequate. The crisis in High Needs will be ameliorated next year but will return. The Department for Education claims that EHC Plan numbers have plateaued, but given the steady increase in EHC Plan numbers since the introduction of the Children and Families Act 2014, this seems to be a case of wilful self-delusion.

| Year | Actual | Necessary | Gap |
|---------|--------|-----------|---------|
| 2015-16 | £5.2bn | £5.2bn | £0.0bn |
| 2016-17 | £5.3bn | £6.0bn | -£0.7bn |
| 2017-18 | £5.8bn | £6.7bn | -£0.8bn |
| 2018-19 | £6.0bn | £7.5bn | -£1.5bn |
| 2019-20 | £6.3bn | £7.9bn | -£1.7bn |
| 2020-21 | £7.0bn | £8.5bn | -£1.5bn |
| 2021-22 | £7.4bn | £9.0bn | -£1.6bn |
| 2022-23 | £7.8bn | £9.6bn | -£1.8bn |

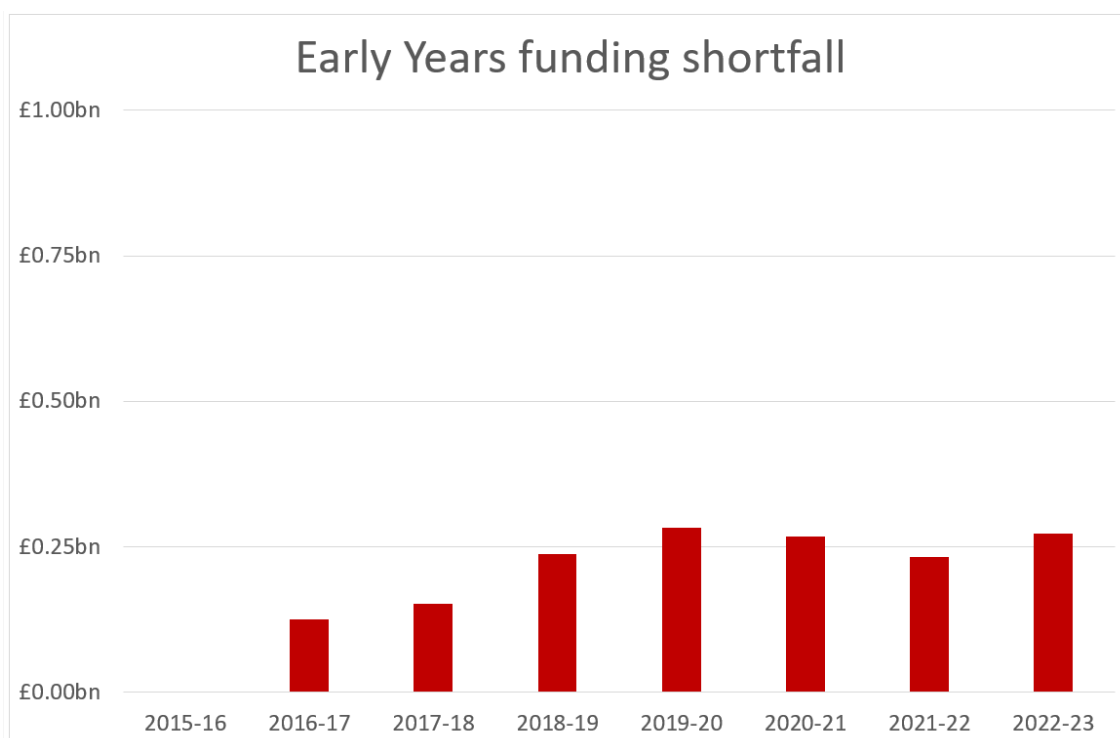


Early Years

The Chancellor announced an increase of £66m for Early Years. This will increase the hourly rate by inflation (1.84%). This is insufficient because costs are rising faster than inflation due to the proportion of Early Years staff who are on the National Living Wage and that the rate has not been increased since 2017.

This is a risk to school finances in two ways. First the Government will recognise that it needs to raise the hourly rate to children. Secondly, many primary schools have early years classes without increases in the hourly rate then their expenditure may exceed income.

| Year | Actual | Necessary | Gap |
|---------|--------|-----------|---------|
| 2015-16 | £2.7bn | £2.7bn | £0.0bn |
| 2016-17 | £2.7bn | £2.8bn | -£0.1bn |
| 2017-18 | £3.3bn | £3.4bn | -£0.2bn |
| 2018-19 | £3.6bn | £3.8bn | -£0.2bn |
| 2019-20 | £3.6bn | £3.9bn | -£0.3bn |
| 2020-21 | £3.7bn | £3.9bn | -£0.3bn |
| 2021-22 | £3.7bn | £4.0bn | -£0.2bn |
| 2022-23 | £3.8bn | £4.1bn | -£0.3bn |



Maintained Nursery Schools

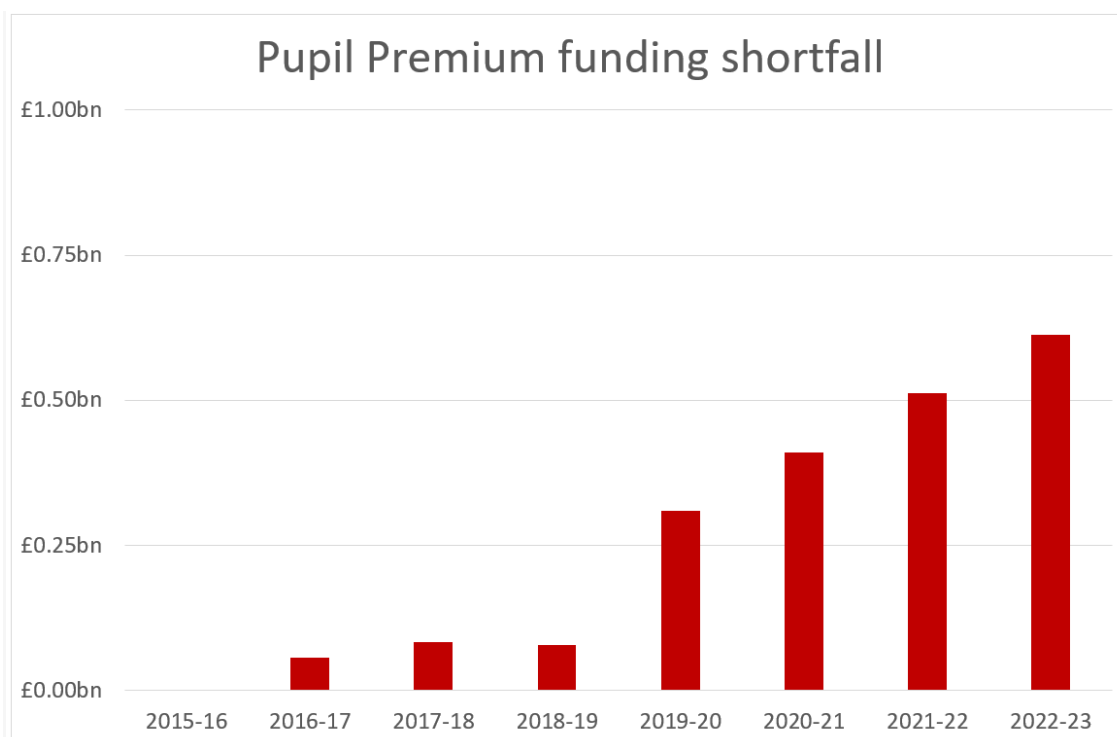
There has been no announcement about funding for these 392 schools. 31% of their funding comes from a special grant which is roughly £60m a year. The grant runs out in August 2020. The grant is a constituent part of the Early Years block.

These schools are at serious risk if the Government does not give a commitment to continue this grant beyond August 2020.

Pupil Premium

There was no announcement of any additional funding for the Pupil Premium. The rates have not been updated with inflation since 2014 when it was introduced.

| Year | Actual | Necessary | Gap |
|---------|--------|-----------|---------|
| 2015-16 | £2.4bn | £2.4bn | £0.0bn |
| 2016-17 | £2.4bn | £2.5bn | -£0.1bn |
| 2017-18 | £2.4bn | £2.5bn | -£0.1bn |
| 2018-19 | £2.4bn | £2.5bn | -£0.1bn |
| 2019-20 | £2.4bn | £2.7bn | -£0.3bn |
| 2020-21 | £2.4bn | £2.8bn | -£0.4bn |
| 2021-22 | £2.4bn | £2.9bn | -£0.5bn |
| 2022-23 | £2.4bn | £3.0bn | -£0.6bn |



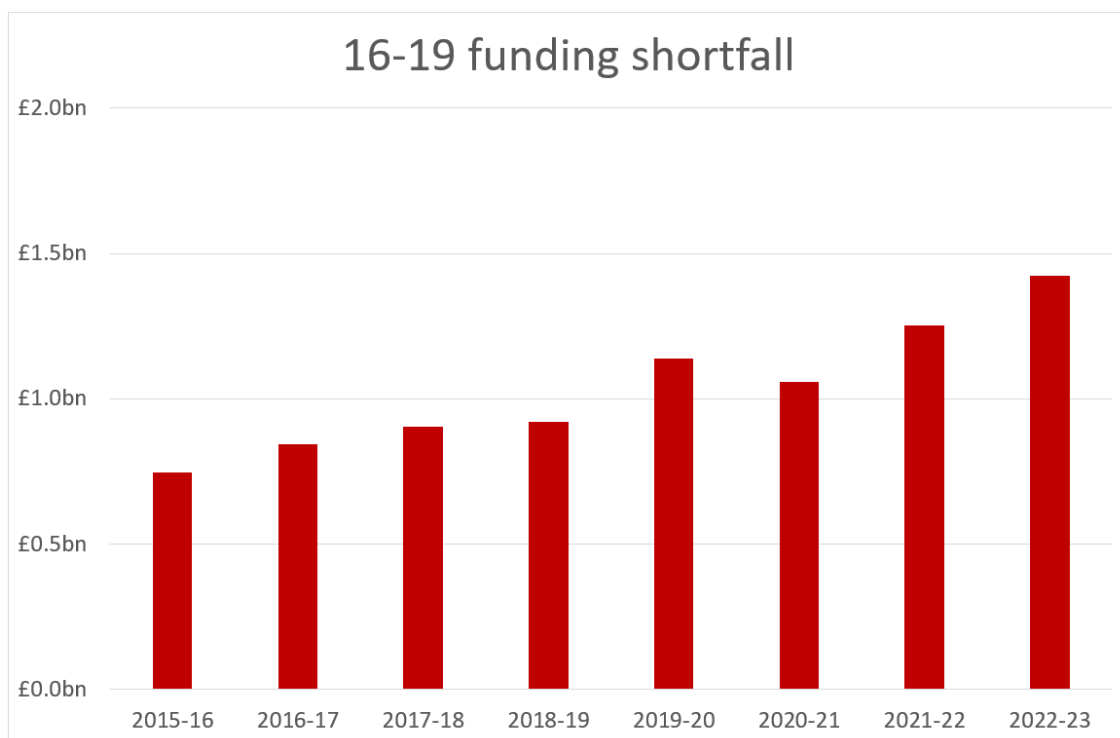
16-19 funding

16-19 education is under the most pressure, in particular, the funding for school sixth forms and sixth form colleges. This funding has been cut by 27% per pupil in real terms.

We have calculated that the 16-19 budget needs £1.1bn now, rising to £1.7bn by 2022/23 largely as a result of rising pupil numbers.

The announcement only gives an additional £400m for 2020/21. The increase in funding will rise in line with costs next year, but it will do nothing to reverse cuts.

| Year | Actual | Necessary | Gap |
|---------|--------|-----------|---------|
| 2015-16 | £5.9bn | £6.6bn | -£0.7bn |
| 2016-17 | £5.8bn | £6.6bn | -£0.8bn |
| 2017-18 | £5.7bn | £6.6bn | -£0.9bn |
| 2018-19 | £5.7bn | £6.6bn | -£0.9bn |
| 2019-20 | £5.7bn | £6.8bn | -£1.1bn |
| 2020-21 | £6.1bn | £7.2bn | -£1.1bn |
| 2021-22 | £6.2bn | £7.5bn | -£1.3bn |
| 2022-23 | £6.3bn | £7.8bn | -£1.4bn |



Conclusion

We have won a very significant increase in school funding. We asked for £9.3bn for under 16s, and we won £7.1bn. Overall, we asked for an increase in revenue of £12.6bn by 2022/23 and the recent announcements put £9bn into education.

The big problem is that the Government announced this money to deal with school cuts but then committed a large proportion of that money to give a necessary boost to teacher pay. Unfortunately, the size of the settlement is simply not enough to do both.

There is a significant risk that the High Needs budget will continue to run out of control and will have to be bailed out with money from schools. The Government must commit sufficient funds to ensure that all pupils receive the support they need.

We must continue to campaign vigorously for an increase in 16-19 funding. This is a large part of why secondary schools are in so much financial distress with 30% in deficit.

Mr Johnson said: "Today I can announce the first step in delivering on that pledge – funding per pupil in primary and secondary schools will increase, and be levelled up across the entire country." This is not the case. He also said: "My Government will ensure all young people get the best possible start in life."

Given that we have the highest primary class sizes in the developed world, that the proportion of secondary pupils in classes over 30 is at a 37-year-high and that schools cannot afford to provide a qualified teacher for every lesson, we still have a long way to go before his aspiration can be met. The campaign must continue.

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