Twenty-First Report of Session 2021-22

Department for Education

School Funding

Introduction from the Committee

In January 2020, there were more than 20,200 mainstream state schools in England, educating more than 8.1 million pupils aged four to 19. Around 11,700 of these schools (58% of the total), with 3.8 million pupils, were maintained schools, funded and overseen by local authorities. The remaining 8,500 schools (42%) were academies, with 4.4 million pupils. Each academy school is part of an academy trust, directly funded by the Department and independent of the relevant local authority.

The Department is responsible for the school system, and is ultimately accountable for securing value for money from the funding provided for schools. It works with the Education and Skills Funding Agency (the ESFA), which distributes funding for schools and provides assurance about how the money has been used. In 2020–21, the Department provided mainstream schools with core revenue funding of £43.4 billion. The largest component of this funding (£36.3 billion, 84% of the total) was the schools block of the dedicated schools grant. Other funding streams included grants to support disadvantaged pupils and pupils with high needs.

Based on a report by the National Audit Office, the Committee took evidence on 15 July 2021 from the Department for Education and the Education and Skills Funding Agency. The Committee published its report on 22 October 2021. This is the government's response to the Committee's report.

Relevant reports

- NAO report: School-funding-in-England – Session 2021-22 (HC 300)
- PAC report: School Funding – Session 2021-22 (HC 183)

Government response to the Committee

1: PAC conclusion: The Department's continued failure to finalise the SEND review means children with SEND are still waiting for much needed improvements in support.

1: PAC recommendation: The Department should write to us, within a month of this report being published, with details of the progress it has made towards finalising the SEND review and setting out when it now plans to publish the review.

1.1 The government agrees with the Committee's recommendation.

Recommendation implemented

1.2 The Department for Education (the department) wrote to the Committee on 19 November 2021 with details of progress towards finalising the special educational needs and disabilities (SEND) review, and plans for publication. The department is committed to improving outcomes for children and young people with SEND; improving people's experiences of the SEND system, with services working in co-production with children, young people and families; and delivering better value for money by targeting and distributing resources in a sustainable way that meets need quickly and effectively. The department will publish proposals for full public consultation, enabling the views of families and stakeholders to shape how the department meets these goals.

1.3 The department is committed to concluding the Review, and as the Secretary of State set out at the Education Select Committee on 3 November, the department hopes to publish in the first quarter of next year. The Green Paper will outline plans for implementation, including how that will be resourced, to improve the way the department delivers support for children and young people with SEND, giving them greater opportunities to improve their outcomes.

2: PAC conclusion: Under the national funding formula, schools that are more deprived have fared worse than those that are less deprived.

2: PAC recommendation: Before moving towards a hard national funding formula, the Department should publish an assessment of the likely impact of the proposed changes on individual schools and different types of schools.

2.1 The government agrees with the Committee's recommendation.

Target implementation date: July 2022

2.2 The national funding formula (NFF) distributes funding for schools fairly, based on the needs of schools and their pupils. This includes targeted funding for schools which have higher numbers of pupils from disadvantaged backgrounds and other additional needs. The introduction of the NFF fixed a broken system that had not reflected changes in need since the early 2000s. The shifting pattern of deprivation funding seen in the NFF significantly reflects schools' funding catching up with changes in the pattern of deprivation since that time. The lower than average increases in funding in London, for example, reflect significant decreases in deprivation levels from 2005 to 2017, whereas areas where deprivation levels increased over this period have benefited from larger than average funding increases through the NFF.

2.3 The department has recently published a consultation on Completing our Reforms to the NFF which proposes that the department will move to allocating funding directly to schools on the basis of a single, national formula.

2.4 While this is the department's long-term goal, it is a significant change that requires careful implementation. In the consultation, the department proposed taking a gradual approach to transition through requiring local authority funding formulae to move closer to the NFF from 2023-24. The department will publish an analysis of the impact of this transitional step on individual schools and different types of schools. The department will publish the first such analysis in July 2022; this analysis will be updated annually for each subsequent transitional year.

3: PAC conclusion: It is not possible to tell whether individual academy schools are receiving the government's guaranteed minimum per-pupil funding levels.

3: PAC recommendation: The Department should publish each year, starting with the year ending 31 August 2021, details of the schools block per-pupil funding that each academy school has received.

3.1 The government disagrees with the Committee's recommendation.

3.2 The department does not collect information from academy trusts in this form and it would not be practicable to collect and publish it for the academic years ending 31 August 2021 or 31 August 2022. The department will keep under review the financial information provided by academy trusts.

3.3 The expenditure of academy schools can be analysed on a per pupil basis using data available on the Schools Financial Benchmarking website. The department believes this is the best information for assessing whether money is being spent appropriately on pupils. The department will continue to review the Schools Financial Benchmarking website to ensure that information is presented transparently and clearly, informed by user feedback.

4: PAC conclusion: Schools are having to cross-subsidise their sixth forms with funding intended to support younger pupils.

4: PAC recommendation: In making and communicating decisions about school funding, the Department should explicitly consider how different funding streams interact so that schools do not have to cross-subsidise, for example, in order to support sixth-form provision.

4.1 The government agrees with the Committee's recommendation.

Target implementation date: December 2021

4.2 The department is committed to investing in education for pupils aged 16-19, including school sixth forms. Following the 2019 Spending Round, the department has invested a total of an extra £691 million (£400 million in 2020-21 and a further £291 million in 2021-22) in 16-19 provision overall. In addition, Spending Review 2021 has made available an additional extra £1.6 billion for 16-19 education by 2024-25. This will support all institutions, including school sixth forms. Nonetheless, it is also important to reflect that many 16-19 only institutions, including free schools and sixth form colleges, provide high quality education without the need for cross-subsidy.

4.3 Schools are responsible for their own planning and for considering curriculum, timetable and resources when deciding what courses to offer in their sixth form. The department has been very clear in published guidance for Academies and free schools that new school sixth forms need to be above a certain size to ensure year on year sustainability. For example, academies proposing to open a new sixth form are expected to provide, as a minimum, 200 student places. New free schools with sixth forms are also expected to provide at least 200 places - or 1,000 if they are institutions only for pupils aged 16-19.

4.4 Funding allocations for the financial year 2022-23 are expected to be announced shortly. In taking decisions over funding levels for schools with children aged 5-16 and for those with post-16 provision the department will continue to consider in future years how these funding streams interact to support the financial sustainability of schools with sixth forms.

5: PAC conclusion: The Department does not seem to have a grip on the impact of falling rolls on schools.

5: PAC recommendation: The Department should carry out an evidence-based assessment of whether there is enough support for schools whose rolls are falling, and write to us by the end of March 2022 with an update on the results of its assessment and what it is doing to address any concerns.

5.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2022

5.2 The National Funding Formula (NFF) has a number of elements which support schools with falling rolls. In particular, schools are funded on a lagged basis (ie. the number of pupils they had on roll at the previous autumn census). This is particularly beneficial for schools that experience decreases to their number of pupils because it gives lead-in time for such schools to plan spending in response to having fewer pupils.

5.3 Responsibility for balancing the supply and demand of school places rests with the local authority. All local authorities should ensure they are managing the local school estate efficiently such that schools remain financially viable. This means that local authorities may need to focus onto reducing or re-purposing high levels of spare capacity, in order to avoid undermining the educational offer or financial viability of schools in their area. Local authorities should consider a spectrum of options for the reutilisation of space, including, for example, co-locating nursery or SEND provision, as well as options for reconfiguration, including via remodelling, amalgamations or mergers/closures where this is the best course of action.

5.4 Local authorities may set aside some of their Dedicated School Grant (DSG) schools block funding for falling rolls funds. These are intended to support good and outstanding schools with falling rolls where local planning data show that surplus places will be needed with the next three financial years. The decision on whether to have falling rolls funds, and the value of these funds, is subject to local discretion and agreement from the local schools forum.

5.5 The department will write to the Committee in March 2022 with an updated assessment of support for schools with decreasing pupil numbers.

6: PAC conclusion: The Department cannot say when it will implement its commitment to a starting salary of £30,000 for new teachers.

6: PAC recommendation: The Department should set out a timetable for meeting its commitment to a £30,000 starting salary for teachers, along with details of how this will be funded.

6.1 The government agrees with the Committee’s recommendation.

Target implementation date: Spring 2022

6.2 As is standard process, the department will be seeking the recommendations of the School Teachers’ Review Body (STRB) for the 2022-23 academic year pay award.

6.3 As part of this process it will provide written evidence to the STRB. This will set out the department’s intended approach to delivering the £30,000 starting salary for teachers.

6.4 However, the exact delivery of the commitment will of course be subject to the STRB’s recommendations and government response.

6.5 The department currently expects that written evidence will be submitted to the STRB early in 2022.