

Written evidence submitted by the National Foundation for Educational Research

1 Introduction

1. The National Foundation for Educational Research (NFER) is the leading independent provider of education research and insights in the UK.
2. NFER welcomes the opportunity to submit written evidence to the House of Commons Public Accounts Committee's inquiry into the Financial Sustainability of Schools in England. In addressing three of the questions listed in the Call for Evidence, this submission draws on up-to-date research evidence.

2 School funding levels

3. School spending per pupil in England fell by 9% in real terms between 2009–10 and 2019–20, the largest cut in over 40 years (Sibieta, 2021).
4. While the core school funding budget was increased by £2.2 billion in 2021/22 and is set to increase by a further £7 billion by 2024/25, these increases will only restore real-terms funding to 2010 levels by 2024/25 (HM Treasury, 2021).

3 School funding pressures

5. The current funding settlement is substantial compared to funding increases seen over the last decade. However, there are a number of considerations which mean that it is not clear that this funding will be sufficient to meet the costs of the existing and anticipated pressures on school resources. These include:
 - a. Increases in teacher salaries: NFER supports the government's commitments to increase teachers' starting salaries to £30,000 given that increasing teacher remuneration is essential to attracting and retaining the teachers required to deliver on government policy. However, as shown by previous NFER analysis (Julius, 2019), the costs associated with these commitments are substantial. We expect that schools will need to use the bulk of planned funding increases to cover increases in pay.
 - b. Funding pressures at the local authority (LA) level: Even before the pandemic, three in every five (63 per cent) LAs were running a deficit on their school expenditure (NAO, 2021). As LA's will need to meet these deficits from their reserves from 2023 onwards (NAO, 2021) and

other Government funding for school improvement within LAs is set to be scrapped (Belger, 2021a), LAs will increasingly be under pressure to top slice school budgets or identify ways to indirectly pass on costs to schools.

- c. Despite the fact that schools have not been given additional funding to meet these costs, this is not a new trend. For example, the role of schools in supporting pupil wellbeing and mental health has expanded significantly over recent years. The NFER Teacher Voice Omnibus Survey (NFER, 2019) found that around 70% of all school leaders reported spending a larger proportion of their budget than the previous year on mental health and wellbeing (outside of the curriculum). Capital funding: The Government recently estimated that the remedial work required to repair or replace all defective elements in the school estate is £11.4 billion (DfE, 2021b). While there are additional grants which are available to schools to meet capital costs, the contributions which schools are being expected to make in order to be awarded these capital grants have increased (Belger, 2021b). This will again represent an additional pressure on schools' budgets.
 - d. Special education needs: Funding pressures are likely to continue to affect high needs provision with schools. Ofsted research found that 80% of primary headteachers and 72% of secondary headteachers reported making changes to the support provided to pupils with SEND because of financial pressure (Ofsted, 2020). For example, schools that Ofsted spoke to described providing fewer or less regular out-of-class interventions, focusing support on core subjects, and grouping pupils with SEND together.
 - e. Covid-19 costs: While the Government did provide schools with some additional funding to meet the costs of the pandemic, schools were forced to absorb most of the extra costs associated with sanitation, signage, social distancing and supply to cover self-isolating staff, while many of their income streams have taken a hit. While the Covid-19 pandemic continues to require additional sanitation measures and disrupt both staff and pupil attendance, the pandemic is likely to continue to add additional pressures on school finances.
6. The latest information on schools' financial positions also shows that a substantial number of schools were running a deficit in 2019/20. On average, eleven per cent of LA-maintained schools and seven per cent of school trusts were in deficit in 2019/20 (NAO, 2021). While the teacher salary pay freeze in September 2021 might have improved some schools' financial positions since then, it is not obvious, given the pressures highlighted above, that this is the case.
 7. NFER's view is that the Government's current approach of applying a percentage increase or decrease to education spending from one spending review to another and comparing amounts over time is not sufficient because the costs pressures that schools are facing to bear change. The Government's

approach to school-funding needs to be revisited such that it is informed by clear objectives, that is reflects cost pressures and outlined through a proper long-term strategy:

4 Recovery from the Covid-19 pandemic

8. The Covid-19 pandemic significantly disrupted childrens' education and led to many children not making the same amount of progress that they normally would have. This disproportionately impacted disadvantaged children and appears to have widened the disadvantaged attainment gap (Rose *et al.*, 2021; Howard *et al.*, 2021).
9. This is predicted to have a significant long-term impact on the UK economy. The IFS recently projected the economic cost of children losing just half a year of schooling by the time the pandemic retreats at £40,000 of income over their lifetime (Sibieta, 2021a). That's a staggering £350 billion in lost lifetime earnings across the 8.7 million school children in the UK.
10. Despite the scale of this challenge, the amount of money set aside for Covid-19 recovery is approximately a third of the level requested by the Government's Education Recovery Commissioner, Sir Kevan Collins.
11. Allowing young people to suffer from adverse social and labour market impacts for years to come as a result of missed schooling would be catastrophic for both the economy and the individuals involved. NFER recommends that the Government reconsiders the amount of funding which has been committed towards curriculum recovery and pupil well-being as we emerge from the Covid-19 pandemic.
12. Further investigation is also needed to better understand what is happening within schools and identify whether those students who need additional help are receiving any/enough support. For example, at present, more funding for recovery is being weighted towards secondary schools. While we acknowledge that secondary pupils have less time to recover progress, they were less directly impacted by school closures – finding it easier to work independently in a remote setting. Younger children's progress has been impacted significantly and further consideration of the weighting given to Covid recovery support could therefore be warranted.

5 Distribution of Funding

13. Not only is it the case that total school funding is not aligned with cost pressures, but schools have also not benefited equally from recent funding increases. This section outlines two examples of how the distribution of how schools' funding has not been aligned with the cost pressures facing individual schools.

Funding to support disadvantaged pupils

14. The most disadvantaged schools have been disproportionately impacted by the real terms decline in funding over the last decade. The IFS find that the most deprived secondary schools saw a 14 per cent real-terms fall in spending per pupil between 2009–10 and 2019–20, compared with a nine per cent drop for the least deprived schools (Sibieta, 2021b).
15. This trend has continued in recent years. Based on notional National Funding Formula (NFF) allocations, schools with fewer disadvantaged pupils have seen large increases in funding, compared to those pupils in more disadvantaged schools (Julius *et al.*, 2020). Further, the primary schools with the lowest shares of FSM eligibility are set to continue to receive the largest increases in per pupil funding through the NFF.
16. Further, the value of the pupil premium (the government’s main mechanism for targeting funding towards disadvantaged pupils) has been eroded over time. Today, each disadvantaged primary pupil attracts around £150 less than if the funding had been uprated in line with inflation since 2014-15. This puts the one-off £145 recovery premium in perspective.
17. This is despite the fact that the Covid-19 has had a disproportionate impact on disadvantaged young people, and that inequalities in attainment between pupils from different backgrounds are persistent. Further, as more deprived schools are most likely to employ early career teachers (Allen and Sims, 2018), the costs of Government plans to increase teacher starting salaries are likely to be highest for the most deprived schools.
18. NFER recommends that the Government revisits the weighting in the NFF which are allocated towards disadvantaged schools. Failure to do this will mean that this policy will run counter to objectives to reduce the attainment gap and level up.

The challenges of pupil-led funding

19. The current design of the NFF does not sufficiently allow for the fact that pupil numbers can vary significantly from one year to the next. As a result, it does not take into consideration the cost pressures that arise from small changes in pupil numbers.
20. This is creating particular difficulties for primary schools at the present time as roll numbers fall in line with demographic changes (DfE, 2021c). This is a particular concern as staff costs typically represent over 70 per cent of school expenditure (DfE, 2018a), and small changes in pupil numbers cannot generally be accommodated by changes to staffing. For example, a school seeing a drop in its pupils by ten will not typically be able to lose a whole class (and therefore be able to reduce their teacher numbers) but would lose a large amount of funding.

21. NFER estimates that the average mainstream primary school had two pupils fewer on roll in 2020/21 compared to 2019/20 (where the average is defined as the median). This decline was even larger for some schools with one in every four primary schools seeing a decline of ten or more pupils over the last year. Given that each primary pupil attracts at least £3,123 based on notional NFF allocations (DfE, 2021a), this translates into the average primary school losing at least £6,246 in income compared to the previous year, with one in four schools losing at least £31,230. In context, losing £6,246 in income would have led to three per cent of the local authority (LA) maintained schools who had a positive surplus in 2019/20 to run a deficit, and £31,230 in lost income would have led to 17 per cent of LA maintained schools with a positive surplus in 2019/20 to run a deficit. Given that these change in pupil numbers are not large enough for schools to lose a class, this demonstrates that some schools will see very significant financial impacts in the coming years despite only seeing relatively small changes in their numbers of pupils.
22. NFER's view is that the NFF needs to allow for greater year-on-year variability in pupil numbers. For instance, primary school funding could be based on the number of classes filled (and therefore accounting for the number of teaching staff required) or by using a rolling average of pupil numbers and with faster adjustments for schools which have rapid increases or decreases.

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