

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](#)

We have used the [National funding formula tables for schools: 2020 to 2021](#) released on 11th October 2019.

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%

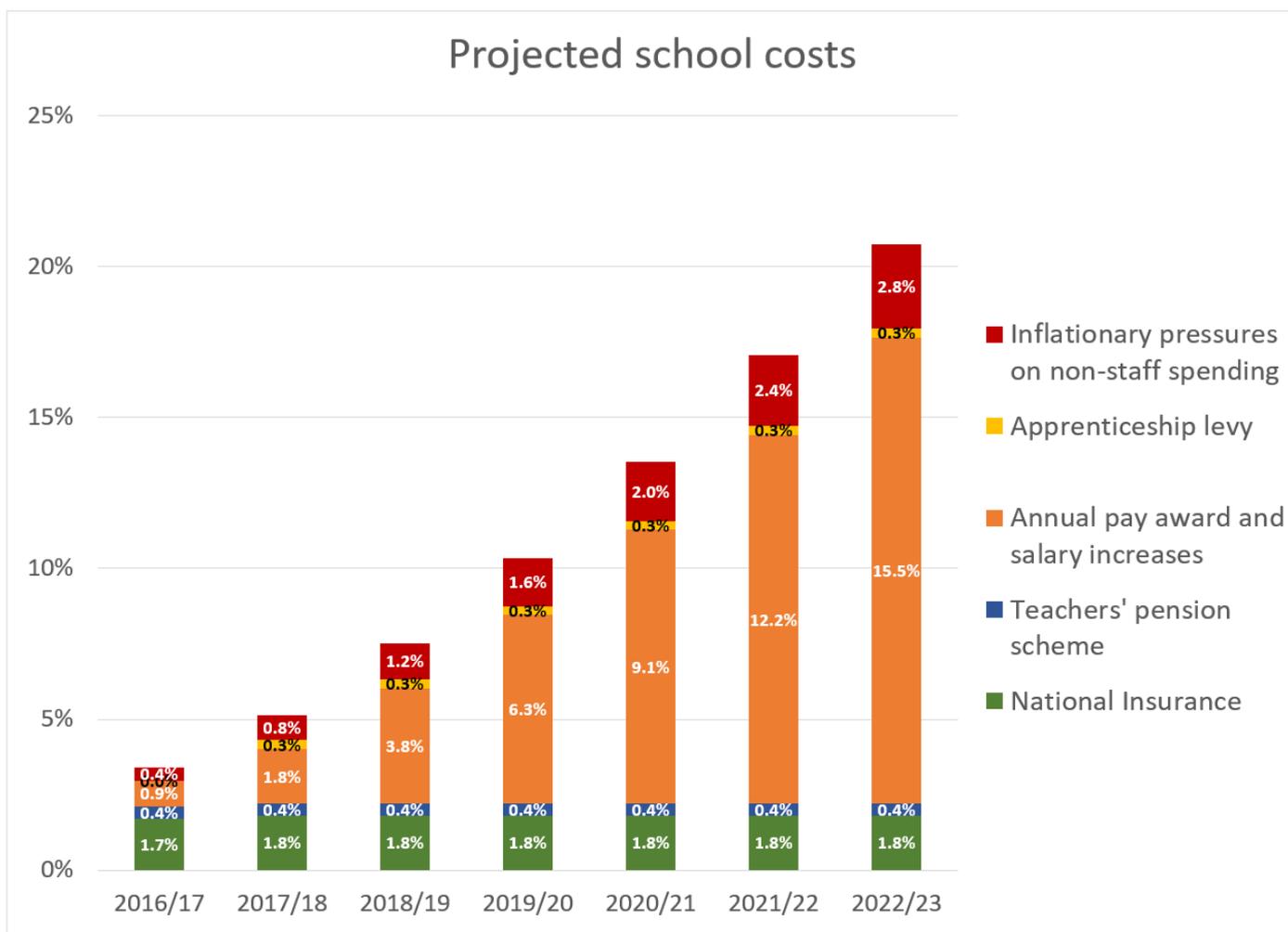
This gives the following average awards:

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

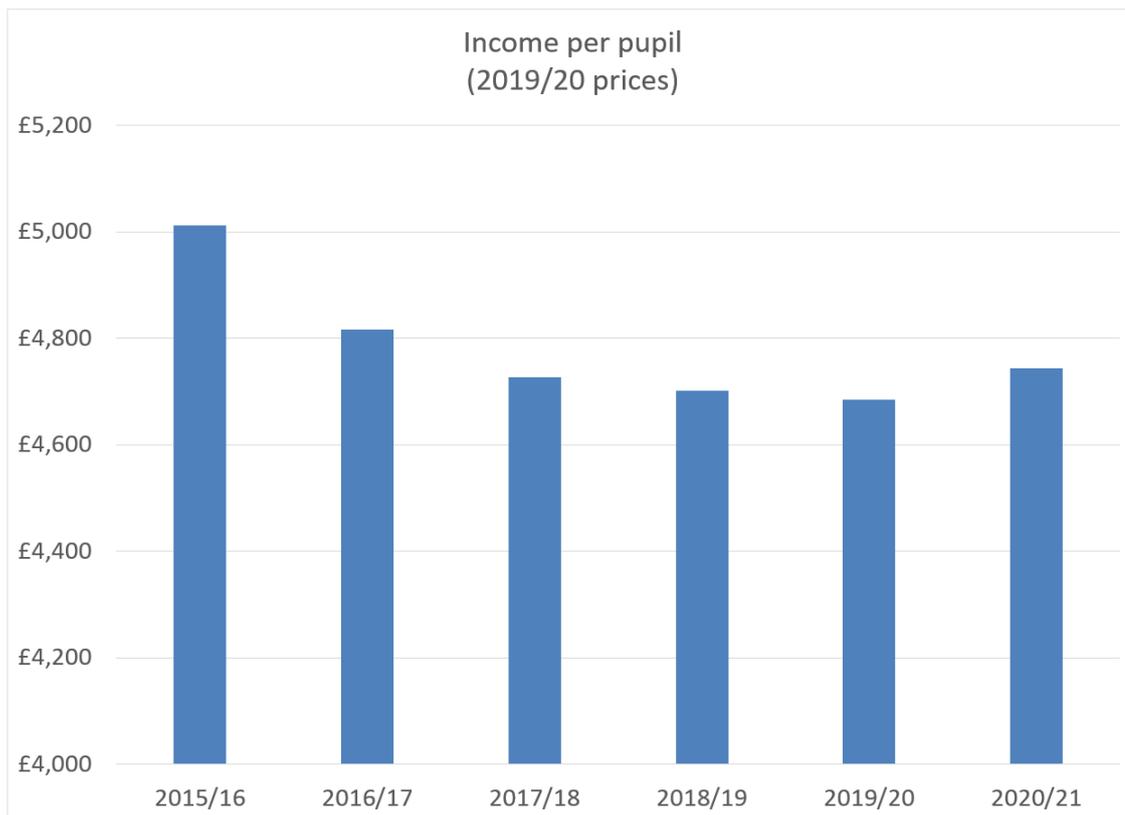
We can update our expected school costs index with this teacher pay increase of 3.7% a year. We assume that support staff will receive an average of 3.1% a year – this is same as the award for the last two years and is due to the increase in the National Living Wage. Non-school costs are estimated using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

We have analysed the funding for 19,681 schools. This represents 98% of the 20,209 mainstream schools.



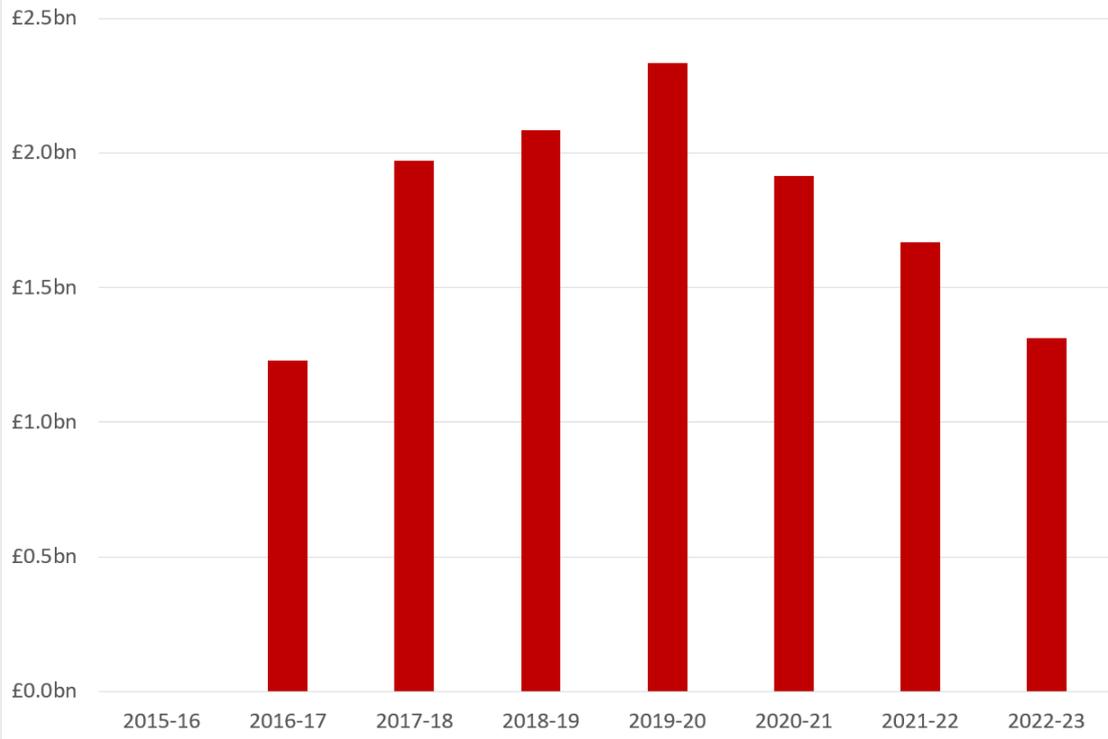
Per pupil funding has declined in real terms since 2015. Despite the additional funds recently announced by the Government, our analysis reveals that per pupil funding only rose by £58 per pupil taking per pupil funding to £4,743 compared with £5,013 in 2015-16. At this rate of progress, it will take until 2025 to restore per pupil funding to its 2015 level.

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 £0.78bn. 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 shrink.

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	£36.4bn	−£2.1bn
2019-20	£35.1bn	£37.4bn	−£2.3bn
2020-21	£37.0bn	£38.9bn	−£1.9bn
2021-22	£38.8bn	£40.4bn	−£1.7bn
2022-23	£40.6bn	£41.9bn	−£1.3bn

Schools Block funding gap



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. This will be on the same basis as the current minimum funding rate. Many Schools Forums will still feel compelled to fund schools below these rates mainly to fill shortfalls in the funding of the High Needs block.

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%.

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 very close to £500m.

School costs are estimated at 2.9% for next year, so 6,310 schools (32%) 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 83% in April 2020, that's 16,307 schools.

Phase	Change in per pupil funding 2015/16 to 2020/21	Schools with funding shortfall 2020/21	Schools with more cuts in 2020/21
Primary	-£245	83%	32%
Secondary	-£304	87%	34%

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.

Primary Schools

Free School Meals band	Change in per pupil funding 2015/16 to 2020/21	Schools with funding shortfall 2019/20	Schools with funding shortfall 2020/21	Schools with more cuts in 2020/21
1st	-£382	97%	88%	43%
2nd	-£342	98%	86%	40%
3rd	-£304	97%	86%	37%
4th	-£285	96%	86%	33%
5th	-£259	96%	85%	31%
6th	-£215	95%	82%	28%
7th	-£196	94%	81%	27%
8th	-£159	92%	80%	26%
9th	-£153	94%	80%	28%
Lowest	-£125	89%	74%	27%

Secondary Schools

Free School Meals band	Change in per pupil funding 2015/16 to 2020/21	Schools with funding shortfall 2019/20	Schools with funding shortfall 2020/21	Schools with more cuts in 2020/21
1st	-£509	97%	90%	58%
2nd	-£410	96%	90%	53%
3rd	-£368	95%	87%	40%
4th	-£369	96%	93%	41%
5th	-£345	95%	88%	38%
6th	-£320	97%	93%	33%
7th	-£279	96%	92%	25%
8th	-£248	94%	90%	24%
9th	-£197	91%	84%	17%
Lowest	-£117	75%	69%	17%

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 2019/20	Schools with funding shortfall 2020/21	Schools with more cuts in 2020/21
East Midlands	-£202	93%	76%	24%
East of England	-£258	95%	85%	26%
London	-£423	98%	94%	57%
North East	-£273	94%	85%	31%
North West	-£300	97%	88%	37%
South East	-£165	92%	78%	23%
South West	-£185	90%	73%	15%
West Midlands	-£310	97%	88%	43%
Yorkshire and the Humber	-£251	94%	82%	35%

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	£7.1bn	£8.5bn	-£1.4bn
2021-22	£7.4bn	£9.0bn	-£1.6bn

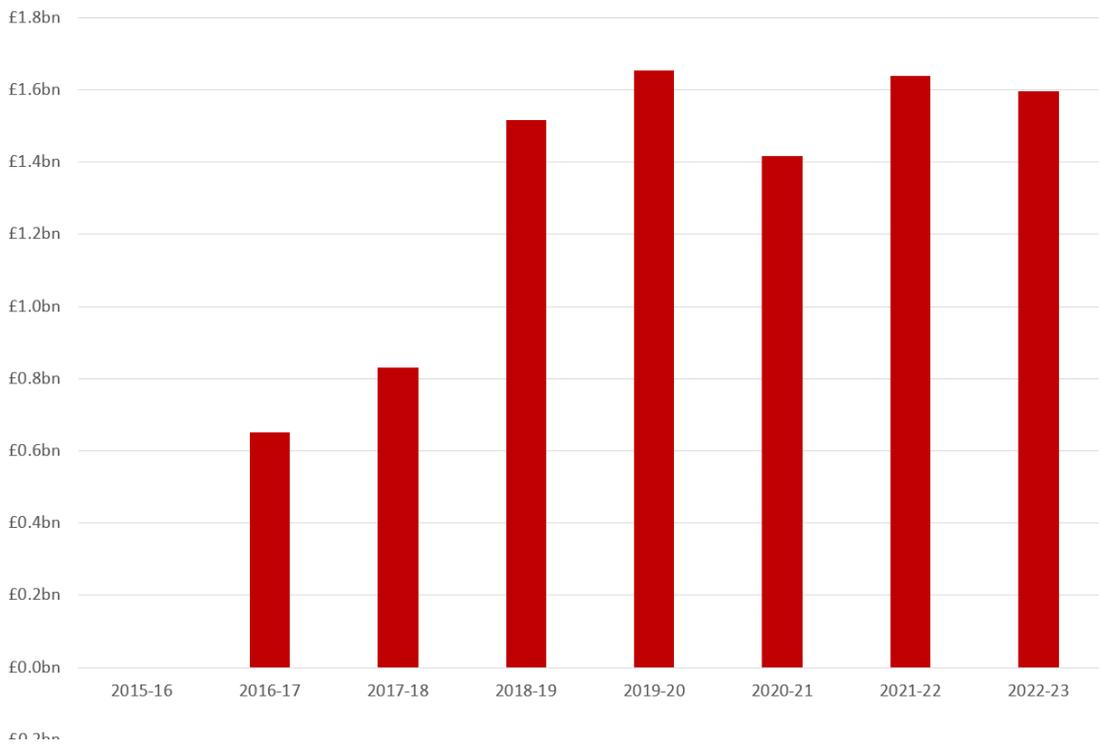
2022-23

£8.0bn

£9.6bn

-£1.6bn

High Needs Gap

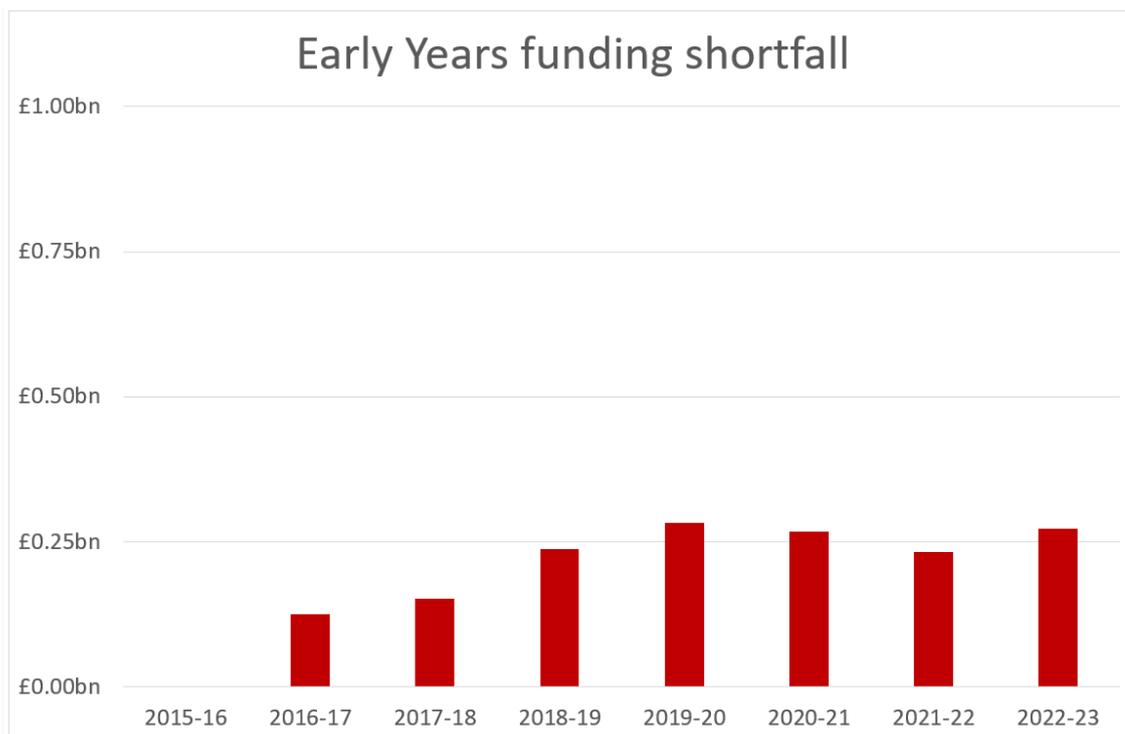


Early Years

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

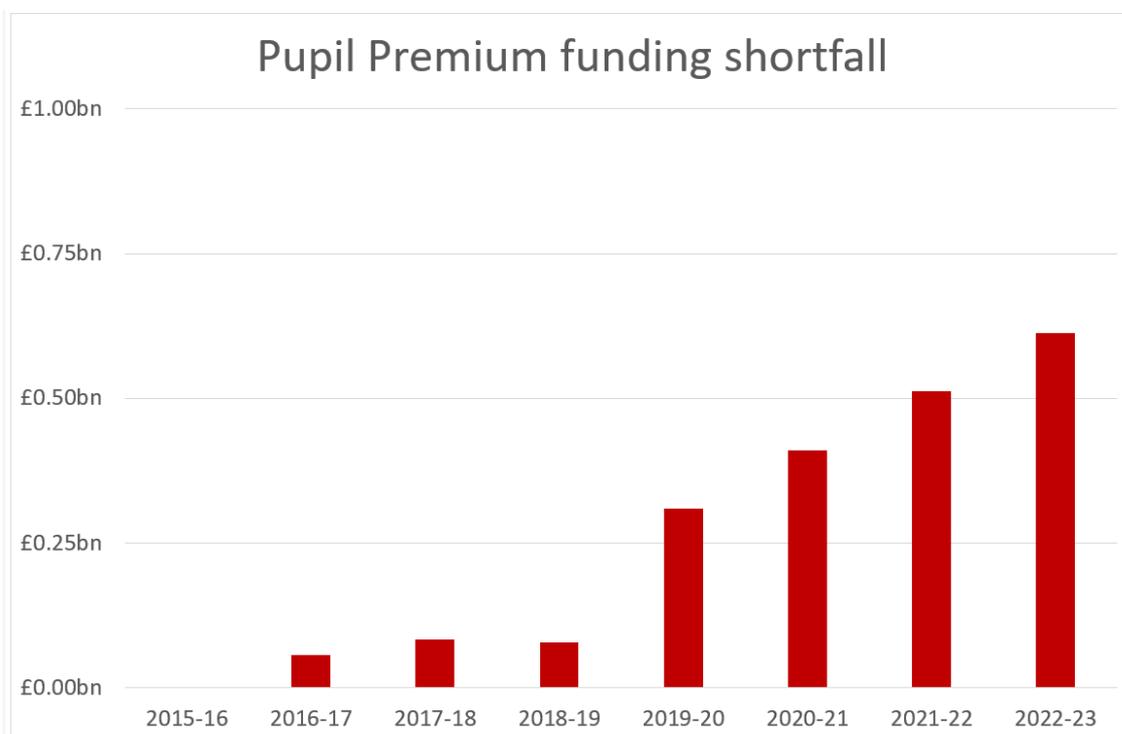
There has been no announcement about funding for these 392 schools. 31% of their funding comes from a special grant which is roughly £60m a year. The grant runs out in August 2020. The grant is a constituent part of the Early Years block.

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



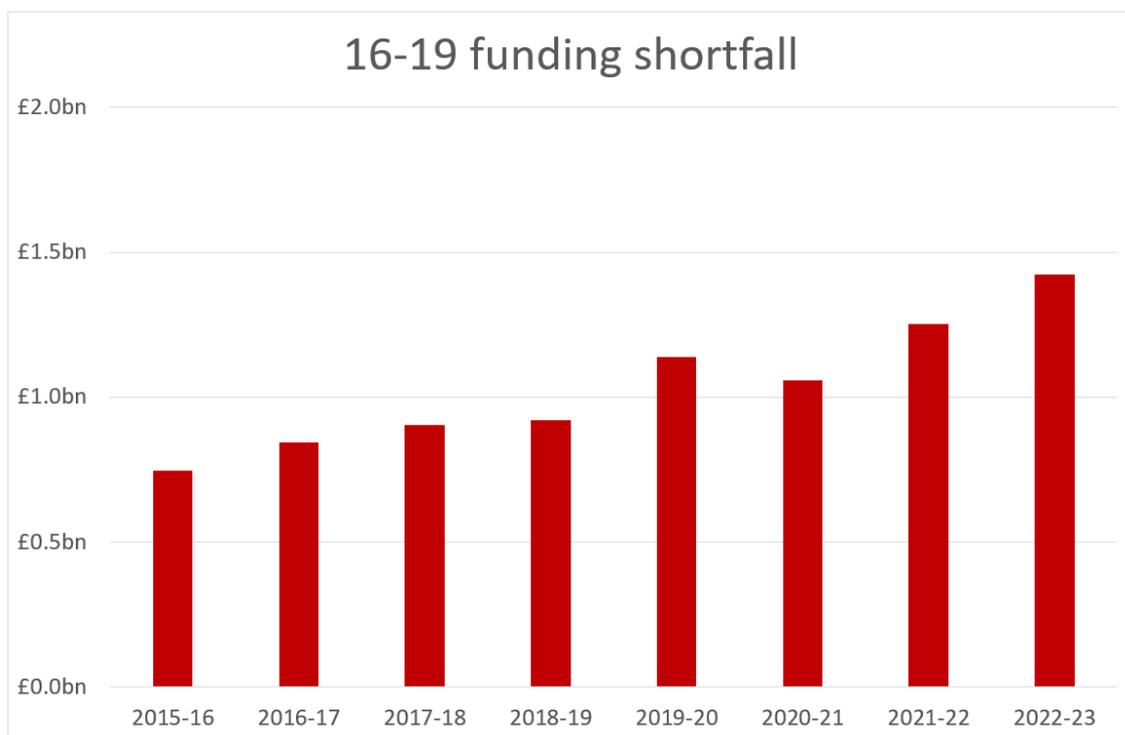
16-19 funding

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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