School funding in England: FAQs

Contents:
1. School funding in England – the current picture
2. What’s the position on the National Funding Formula (NFF)?
3. Reports, analysis and parliamentary material
Contents

Summary 3

1. School funding in England – the current picture 6
   1.1 What additional funding has been promised? 6
   Commentary on the summer 2019 funding commitments 6
   What will the funding be used for? 8
   1.2 Which schools and areas will benefit most from the announced funding? 8
   Notional, provisional NFF allocations for 2020-21 8
   Education Policy Institute analysis 9
   Other school funding data 9
   1.3 What is happening on teachers’ pay and pensions? 9
   The 2019-20 teacher pay award 9
   Funding for teachers’ pay awards 10
   Higher starting salaries for new teachers 10
   Teachers’ Pension Scheme costs 11
   1.4 What’s happening with special educational needs funding? 11

2. What’s the position on the National Funding Formula (NFF)? 13
   2.1 Background to the NFF 13
   2.2 When will the schools NFF be fully implemented? 13
       A soft formula and the continuing role of local authorities 13
       The move to a hard formula 13
   2.3 How is SEND funding calculated? 13

3. Reports, analysis and parliamentary material 15
   3.1 Reports and analysis 15
   3.2 Parliamentary material 15
       Statements and DfE press releases 15
Summary

Scope of briefing paper
This briefing paper gives a short overview of school funding in England. It looks at overall funding levels, funding commitments made in summer 2019, and the implementation of the National Funding Formula (NFF) for schools.

Overall levels of funding
In recent years, there have been concerns about a squeeze on school funding, in the wider context of increasing pupil numbers and cost pressures. In response, the 2017 Government committed to maintaining core per pupil school revenue funding, in real terms, for 2018-19, and 2019-20. It also said it was helping schools to identify savings. However, concerns remained, particularly around funding for special educational needs and sixth form provision.

Summer 2019 school funding announcements: what was promised?
In summer 2019, the 2017 Government announced it would be providing additional funding for 5-16 year olds in schools in 2020-21, 2021-22 and 2022-23. In cash terms, the annual increases were:

- In 2020-21, £2.6 billion (on top of 2019-20 funding).
- In 2021-22, £2.2 billion (on top of 2020-21 funding).
- In 2022-23, £2.4 billion (on top of 2021-22 funding).

It would also provide around £1.5 billion per year in recognition of additional employers’ contributions to teacher pensions, and £400 million in 2020-21 for 16-19 education.

The Conservative Party manifesto for the 2019 General Election also promised just over £100 million per year in additional funding for a secondary arts premium between 2021-22 and 2023-24, and smaller amounts for physical education in each of those years.

What will the funding be used for?
The 2017 Government said the summer 2019 funding would be used to:

- Increase the per pupil minimum funding levels attracted by mainstream schools to: £3,750 (in 2020-21) and £4,000 (in 2021-22) for primary schools, and £5,000 in both years for secondary schools.
- Pay any remaining gains still due under national funding formula (NFF) – so far, gains due have been annually capped.
- Increase the NFF’s core factor values by 4%.
- Set a funding floor in the NFF of +1.84% in respect of pupil-led funding, per pupil (compared to schools’ 2019-20 NFF baselines). This is in line with predicted inflation.
• Increase high need funding by £780 million in 2020-21. Largely, this is for complex special educational needs provision.

Reaction to the summer 2019 school funding pledges

The schools funding announced in summer 2019 equates to a real terms increase of £4.4 billion to the schools budget between 2019-20 and 2022-23. This excludes the teacher pension funding and the additional amounts pledged in the Conservative Party manifesto.

In September 2019, the Institute for Fiscal Studies (IFS) estimated that this additional funding would equate to a real terms increase in spending of 7.4% per pupil between 2019-20 and 2022-23. It would, the IFS said, come “very close” to reversing the 8% (real terms) cut in total school spending per pupil seen between 2009-10 and 2018-19.

Whilst the additional funding has been welcomed, critics have noted that it won’t begin until 2020-21. Others have observed that it may also need to cover significant teacher pay increases and have raised concerns about how the money will be shared out.

What is happening with the national funding formulas (NFF) for schools and high needs in 2019-20 and 2020-21?

Since 2018-19, a new National Funding Formula (NFF) has been used to determine how much mainstream schools attract in core revenue funding. There are separate formulas for sixth form, high need, and early years funding. Pupil Premium (additional money to support disadvantaged children) is also paid via a separate grant.

In 2019-20 and 2020-21, the schools NFF is only being used to work out notional allocations for individual schools. These are then aggregated, adjusted and passed to local authorities, who then draw up local funding formulas for onward distribution. This is known as a soft NFF.

One change for 2020-21 is that local authorities will be required to pass on the new minimum funding levels in the NFF to individual schools, via their local funding formula arrangements. The Department for Education has recently consulted on how to implement this change, and on the circumstances in which the requirement could be disapplied.

The 2017 Government said that it remained committed to introducing a hard NFF, but did not set a deadline for this. A hard NFF would largely removing the role of local authorities in distributing core schools funding.
What impact will the recent funding announcements have on particular individual schools?

The DfE published notional, provisional NFF allocations at school and local authority level, on 11 October 2019.

A House of Commons Library Insight article provides analysis of these figures, and constituency estimates of the real terms change in per pupil NFF allocations in 2020-21 (compared to the 2019-20 notional NFF baseline allocations).

The DfE’s October 2019 notional school-level allocations are not what individual schools will actually receive through the NFF in 2020-21; local authorities will retain a degree of flexibility in determining local funding arrangements.
1. School funding in England – the current picture

1.1 What additional funding has been promised?

In summer 2019, the 2017 Government announced it was providing additional funding for 5-16 year olds in schools in 2020-21, 2021-22 and 2022-23. In cash terms, the annual increases are:

- In 2020-21, £2.6 billion (on top of 2019-20 funding).
- In 2021-22, £2.2 billion (on top of 2020-21 funding).
- In 2022-23, £2.4 billion (on top of 2021-22 funding).

It would also provide £400 million in 2020-21 for further education, including £190 million to increase core funding for 16 to 19-year-olds, and targeted funding for other purposes.\(^1\) It further promised around £1.5 billion per year in recognition of additional employers’ contributions to teacher pensions due from September 2019.

The Conservative Party manifesto for the 2019 General Election additionally pledged just over £100 million per year in funding for a secondary arts premium between 2021-22 and 2023-24, and smaller additional amounts for physical education over the same period.

**Commentary on the summer 2019 funding commitments**

The schools funding announced in summer 2019 equates to a real terms increase of £4.4 billion to the schools budget between 2019-20 and 2022-23.\(^2\) This excludes the additional teacher pension funding and the extra funding announced in the Conservative Party manifesto.

Following the summer 2019 announcements, the Institute for Fiscal Studies (IFS) estimated that that the additional school funding would equate to a real terms increase in spending of 7.4% per pupil, between 2019-20 and 2022-23 (2019-20 prices). They suggested that the additional funding would come “very close” to reversing the 8% (real terms) cut in total school spending per pupil seen between 2009-10 and 2018-19.\(^3\)

However, the IFS also noted:

> Whilst the planned increases in school spending per pupil represent a clear turnaround as compared with recent trends, these plans would still leave school spending per pupil at about the same level in 2022–23 as it was 13 years earlier. This represents a significant squeeze on school resources as compared

---


with recent history. The previous lowest growth over a 13-year period was 18% for secondary schools between 1987–88 and 2000–01 (see Figure 3.2). This highlights a long-run historical pattern whereby spending per pupil alternates between large rises (late 1980s, 2000s, early 2020s) and periods of retrenchment (late 1970s, early 1980s, 1990s).4

Speaking in response to Gavin Williamson’s speech at the Conservative Party annual conference on 30 September 2019, Paul Whiteman, General Secretary of the National Association of Head Teachers (NAHT) said that the Government had delivered a “significant amount” but that it was still insufficient:

Paul Whiteman, general secretary of school leaders’ union NAHT, said: “I am pleased that the government eventually accepted that new money for education is needed. A year ago they were denying that the funding crisis was real. They have delivered a significant amount. But when you analyse the figures behind the headline promise, as the IFS has done for example, there will still be no real terms funding growth in per pupil funding from 2009/10 to 2022/23. That’s a funding freeze that’s lasted for thirteen years.

“Schools won’t receive a penny until next year. In the meantime, their budgets are still at breaking point and they are struggling to make ends meet. There are also some obvious gaps in what’s been promised. Early years, SEND and sixth form education are all areas of concern for us.

“The government now has ambitious plans for Further Education. The £120m mentioned today [at the Conference] is a re-announcement of money pledged in the Spending Review. We have campaigned alongside other organisations for the 16-19 funding rate to be raised to £4,760 per student. It will be difficult to achieve what has been promised when the funding announced lags so significantly behind what’s needed.”5

The National Education Union (NEU) said the announcements represented a “major shift in Government policy on school funding” and that the sums announced in respect of “primary and secondary schools, SEND, 16-19 education and teacher pay go some way towards closing the gap, but are still significantly short of what is required”. The NEU also said that the Government was “clearly seeking to favour some schools more than others.”6

Responding to the 4 September Spending Round 2019 announcements, the Association of School and College Leaders said:

The investment promised by the government is significant and it will be welcomed by schools and colleges after the damage done by years of austerity. But it should be noted that even with this additional funding there will still be a shortfall.

Analysis by the Education Policy Institute shows some schools are unlikely to see a full reversal of cuts, additional funding for pupils with high needs is short of what is required, and the spending

---

plans only repair a quarter of the cuts experienced in 16-19 education since 2011. In addition, the extra funding will provide no immediate relief to schools and colleges because it will not be introduced until 2020/21. And the spending plans for 16-19 education cover only one year and will therefore mean continued uncertainty for colleges and sixth forms.

The extra funding is a major step forward and a vindication of the campaign which has got us to this point, but the job is not done on education funding. We will continue to talk constructively with the government about the settlement with the aim of ensuring that every school and college is properly resourced.

What will the funding be used for?
The 2017 Government said the funding announced in summer 2019 funding would be used to:

- Increase the per pupil minimum funding levels attracted by mainstream schools: £3,750 (in 2020-21) and £4,000 (in 2021-22) for primary schools, and £5,000 in both years for secondary schools.
- Pay any remaining gains due under the national funding formula (NFF) – so far, gains due have been capped.
- Increase the NFF’s core factor values by 4%.
- Set a funding floor in the NFF of +1.84% (compared to schools’ 2019-20 NFF baselines). The funding floor works to provide a minimum cash uplift to a school’s per pupil, pupil-led funding; see the box on the right for a short explanation of pupil-led funding.
- Increase high need funding by £780 million in 2020-21. Largely, high need funding is for special educational needs provision.

1.2 Which schools and areas will benefit most from the announced funding?

Notional, provisional NFF allocations for 2020-21
The DfE published notional, provisional NFF allocations at school and local authority level for 2020-21, in October 2019. This dataset also provides some comparator baseline NFF data for 2019-20.

A House of Commons Library Insight article provides analysis of these figures, and constituency-level estimates of the real terms change in per pupil NFF allocations in 2020-21 (compared to the 2019-20 notional NFF allocations).

The DfE’s October 2019 notional school-level allocations are not what individual schools will actually receive in core funding in 2020-21. Local authorities will retain a degree of flexibility in determining local funding arrangements. Section 2 of this briefing provides more detailed information on how school funding works.

---

7 Association of School and College Funding, ‘ASCL comment on spending round: the job is not done on education funding’, 4 September 2019.
Education Policy Institute analysis
In December 2019, the Education Policy Institute (EPI) published analysis of parties’ General Election manifesto pledges on school funding. This included some observations on the distributional impacts of funding through the NFF in 2020-21. EPI’s observations relate to changes to pupil-led NFF funding, and not total per pupil funding:

Around one in four schools will only see increases in their pupil led funding that are in line with inflation. In London this increases to nine in ten schools. Around £3.2bn of funding will be allocated through formula factors relating to disadvantage, with an additional £2.4bn through the Pupil Premium, targeted towards pupils from low income backgrounds. […] The long-term trend, since the early 2000s, has seen schools with higher proportions of pupils eligible for free school meals receiving the largest increases.

The Conservative government has confirmed its new approach to ‘levelling-up’ funding so that in 2020-21 all primary aged pupils receive at least £3,750, and all secondary aged pupils receive at least £5,000, in core funding. In order to meet this commitment, the NFF includes funding of £266m to raise schools to this level if they do not reach it through the other factors alone. Schools that are below these minimum levels are disproportionately serving more affluent communities and have less challenging intakes, since they generally attract less funding through the NFF. So, while all schools will see increases in funding, schools serving less disadvantaged communities are likely to see the biggest gains from recent announcements.

Other school funding data
The Dedicated Schools Grant (DSG) is the main DfE grant in support of schools’ budgets. Its largest component – the schools block – is the element affected by the introduction of the NFF. Previous years’ DSG allocations can be found online:

- Education and Skills Funding Agency (ESFA), Dedicated schools grant (DSG) allocations: 2019 to 2020

The DfE also publishes allocation data at institution level for the Pupil Premium, 16 to 19 funding and some other separate grants:

- ESFA collection, Pupil Premium and other school premiums.
- ESFA, 16 to 19 education: funding allocations

Further background information on 16-19 funding can be found in a linked Library briefing paper:

- 16-19 education funding in England since 2010

1.3 What is happening on teachers’ pay and pensions?

The 2019-20 teacher pay award
Arrangements for teacher pay at maintained schools in England are set out in the annual School Teachers’ Pay and Conditions Document

---

8 Education Policy Institute, General election 2019: An analysis of manifesto plans for education, 6 December 2019.
9 As above, p33.
(STPCD). The latest version is for 2019-20. The STPCD is informed by recommendations made annually by the School Teachers’ Review Body.

In 2018-19, the STPCD provided cash uplifts of 3.5% to the main teacher pay range, a 2% increase to the upper pay range, and a 1.5% increase for the leadership pay range.

For 2019-20, the STPCD provides for a cash uplift of 2.75% to the band minimums and maximums of all teacher pay ranges and allowances.

**Funding for teachers’ pay awards**

In a Statement to Parliament on 24 July 2018, then-Education Secretary Damian Hinds confirmed the introduction of a new Teachers’ Pay Grant. The funding would cover the years 2018-19 (£187 million) and 2019-20 (£321 million).

The money would come from within the existing DfE budget. In relation to 2018-19, the Statement said that the funding would cover “in full, the difference between the 2018-19 pay award and the cost of the 1% award that schools would have anticipated under the previous public sector pay cap”.

In response to a PQ of 3 September 2019, Minister Nick Gibb said that the Government was providing “an additional £105 million of funding for schools this year [2019-20]” on top of the £321 million provided through the Teachers’ Pay Grant. This was “in recognition of the difference between [the 2.75% award for 2019-20] and the 2% the Department has assessed schools can afford on average nationally.”

In a Statement provided on 3 September 2019, Education Secretary Gavin Williamson confirmed that the Teachers’ Pay Grant would continue to be paid separately in 2020-21.

**Higher starting salaries for new teachers**

The 2017 Government said that it planned to raise the starting salary for a newly-qualified classroom teacher outside of London to £30,000 by 2022-23. This would represent a significant increase on the current classroom teacher main scale pay band minimum: £24,373 in 2019.

It isn’t yet clear what might happen to the salaries of those not on the band minimum – for example, teachers and leaders with more years of service, or those on the upper pay scale. In his remit letter to the STRB for the 2020-21 pay round, the Education Secretary said he would be making a strong case “for schools to move towards a relatively flatter pay progression structure than is currently typical, alongside significantly higher starting and early career salaries”.

---

11 As above.  
12 PQ 282297 [Teachers: Pay], 3 September 2019.  
15 Letter from Gavin Williamson to Dame Patricia Rice, 18 September 2019, p2.
In an oral Statement to Parliament on 3 September 2019, he said:

> The £14 billion investment announced last week will ensure that pay can be increased for all teachers. Subject to the school teachers’ review body process, the investment will make it possible to increase teachers starting salaries by up to £6,000, with the aim of reaching a £30,000 starting salary by 2022-23. This would make starting salaries for teachers among the most competitive in the graduate labour market.16

**Teachers’ Pension Scheme costs**

From September 2019, the level of employer contribution to the Teachers’ Pension Scheme (TPS) increased from 16.4% to 23.6% of annual pay.17

In April 2019 the DfE confirmed it would “fully fund” the additional teachers’ pension contributions state-funded school and college employers need to make in 2019-20. It said it would provide £940 million in funding, but arrangements for future years would be set at the next Spending Review.18 In 2019-20, the DfE is funding some of this additional cost from central budgets, with £654 million extra being provided by HM Treasury.

At Spending Round 2019, the 2017 Government confirmed that around £1.5 billion would be made available for the additional pension contributions, in each year from 2020-21 to 2022-23.

The DfE has published allocations for the Teachers’ Pension Employer Contribution Grant in 2019-20. For schools, funding is being calculated on a formulaic basis, taking into account pupil numbers and other factors. There is also a supplementary fund for schools and local authorities.

1.4 **What’s happening with special educational needs funding?**

As noted above, the summer 2019 funding commitments promised £780 million extra for high need funding in 2020-21. High need funding is largely for special educational needs (SEND) provision for children and young people.

SEND funding has been an area of particular concern in recent years. The then-Education Committee published a report on school and college funding in July 2019, in the run-up to the expected Spending Review. They concluded:

> 105. Special educational needs and disability funding is completely inadequate. There is simply not enough money in the system to provide for the scale of demand. Local authorities are expected to face a funding shortfall in excess of £1 billion by 2021. The post–16 sector in particular is having to deal with

---


17 This is the underlying employer contribution rate, and excludes an administration levy of 0.08%.

significant challenges in the context of enormous funding constraints. This is not sustainable.

106. The Department must make the strongest possible case to the Treasury for sufficient funds to finance the widening high-needs deficit, projected to be over £1 billion by 2021, and address the underlying drivers of spiralling costs at an early stage. The funding uplift must include a thorough assessment of the cost implications of local authorities’ duty to maintain an Education, Health and Care Plan up to the age of 25.

107. The Department’s assessment of the core school funding uplift requirements must include a thorough analysis of the role that sufficient core school funding plays in facilitating early intervention and avoiding more costly interventions later on. The response to the Committee’s report was published in October 2019.

The Committee has also recently published a report looking in more detail at the SEND system. The National Audit Office published a report on support for pupils with SEND in September 2019. This looked at funding and spending in this area up to 2018-19. Key findings included:

- The Department has increased school funding, particularly for high needs, but funding has not kept pace with the rise in the number of pupils. […]
- Local authorities [were...] increasingly overspending their budgets for supporting pupils with high needs. […]
- The main reason why local authorities have overspent their high-needs budgets is that more pupils are attending special schools. […]
- The ways in which the Department and local authorities [were] responding to overspending on high-needs budgets are not making the system sustainable.

The DfE recently held a call for evidence on the practical aspects of the funding system for SEND and alternative provision. In September 2019, it announced a cross-government review of support for children and young people with SEND, and their families.

---

19 Education Committee, A ten-year plan for school and college funding, Tenth Report of Session 2017–19, HC 969, 19 July 2019, p38
22 As above, pp7-9.
2. What’s the position on the National Funding Formula (NFF)?

2.1 Background to the NFF

A new national funding formula has been used to calculate core school funding since 2018-19. There are separate funding formulas for high needs (mostly special educational needs funding – discussed above), services centrally provided by local authorities, and early years provision. Local authorities receive a block grant from the DfE, called the Dedicated Schools Grant, or DSG.

Although this block grant is the main funding source for schools, they receive money from other sources as well, including:

- Pupil Premium funding.
- Sixth form funding – already distributed according to a national formula.
- Capital funding for maintenance, expansions and rebuilds.
- Self-generated income.

2.2 When will the schools NFF be fully implemented?

A soft formula and the continuing role of local authorities

For 2018-19, 2019-20 and 2020-21, the schools NFF is operating as a soft formula. This means that local authorities retain a role in distributing funding and deciding how much individual schools receive in their delegated budgets.

During this period, the schools NFF is being used to generate notional allocations for individual schools which are then aggregated, adjusted, and passed to the local authority for onward distribution according to locally-determined formula arrangements. The DfE provides guidance and encourages LAs to reflect the design of the NFF in their local arrangements.

The move to a hard formula

The 2017 Government said it remained committed to the introduction of a hard schools NFF but did not confirm when this would take place. A hard formula would mean that funding is given directly to schools, largely cutting local authorities out of the distribution process for core school funding.

2.3 How is SEND funding calculated?

Alongside reforms to core school funding and the introduction of the schools NFF, the DfE is also implementing a new national funding
formula for high needs – largely, this is funding for children and young people with special educational needs.

From 2018-19, local authorities have received high needs funding calculated according to this national formula. The high needs formula includes, among other factors, a basic unit of per pupil funding for pupils in specialist SEN provision, historic spend, and also proxy measures such as population, school attainment, and numbers of children in bad health. More detail on the high need formula, and transition arrangements, can be found in the DfE’s high need funding operational guide for 2020-21.24

Further background information on the SEND system in England can be found in a linked House of Commons Library briefing paper:

- Special educational needs: Support in England.

---

24 Education and Skills Funding Agency (ESFA), High needs funding 2020 to 2021 Operational guide, October 2019.
3. Reports, analysis and parliamentary material

3.1 Reports and analysis

- Education Policy Institute, ‘Understanding school revenue expenditure | Part 1: Why do we need another study on school funding?’, 18 September 2019.
- Education Policy Institute, ‘Understanding school revenue expenditure | Part 2: Which types of schools spend the most?’, 28 October 2019.

3.2 Parliamentary material

Statements and DfE press releases

- Written Statement to Parliament (on teacher pay), HCWS1766, 22 July 2019.
About the Library

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publicly available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email papers@parliament.uk. Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email hcenquiries@parliament.uk.

Disclaimer

This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the conditions of the Open Parliament Licence.