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Background

1. What has happened to school funding in England over the last 20 years?

1.1 1997 – 2010

In the late 1990s and 2000s, overall funding for schools dramatically increased. The Institute for Fiscal Studies (IFS) states that between 1999 and 2000, and 2009 and 2010, day-to-day spending per pupil increased by an annual average of five per cent in real terms.\(^1\) This led to spending per pupil at primary and secondary levels almost doubling in real terms between 1997-8 and 2015-16.\(^2\)

In addition to the quantum of funding increasing, in 2004, the government at the time introduced the Minimum Funding Guarantee, which aimed to protect schools against budget fluctuations, year on year, caused by changes to how local authorities allocated funding to schools. In 2006, the Dedicated Schools Grant (DSG) was also introduced, which ring-fenced funding given to local authorities for the use of schools only.\(^3\) The introduction of the Standards Fund in 2007 saw a number of grants target low attainment and disadvantage, beginning a focus on raising the attainment of disadvantaged pupils through funding. At its peak, this totalled around £1.6 billion a year with over 30 separate grants.

1.2 Post 2010

In 2010, the upward trend in school funding slowed and the overall main schools grant was frozen in cash terms per pupil. This is widely attributed to the financial crisis of 2008.\(^4\) In the 2010 Spending Review, plans were laid out explaining how resource savings would be achieved through the non-schools budget (the money the DfE receives that does not go directly to frontline education) as well as cuts to capital spending on schools.\(^5\)

\(^1\) School funding increases in England targeted at most deprived and led to particularly large increases in non-teaching staff, Institute of Fiscal Studies, March 2015; www.ifs.org.uk/publications/7644
\(^2\) Long-run comparisons of spending per pupil across different stages of education, Institute of Fiscal Studies, March 2017; www.ifs.org.uk/publications/8937
\(^3\) School Funding in England Since 2010 – What the key evidence tells us, National Foundation for Educational Research, January 2018; www.nfer.ac.uk/school-funding-in-england-since-2010-what-the-key-evidence-tells-us/
However, in 2011, the pupil premium was introduced to target the attainment of disadvantaged pupils and the Standards Fund was merged into the DSG. The annual funding for pupil premium has increased since its introduction: in 2011–12, £623 million was allocated for pupil premium; in 2017–18, £2.2 billion. The House of Commons Library debate pack on the spending of the Department for Education (DfE) notes that given the introduction of the pupil premium, funding given to schools mostly stayed constant in real terms per pupil after 2010, before a loss of 4% in real terms between 2015–16 and 2016–17.\(^6\) Organisation for Economic Co-operation and Development (OECD) data shows that public money spent on primary to post-secondary, non-tertiary education in the UK, as a percentage of GDP, rose from 2.8% in 2000 to 3.3% in 2010 and 3.8% in 2015.\(^7\)

However, the funding going directly to schools is not the whole story. The IFS has suggested that total spending on schools (including local authority funding and school sixth forms) has fallen by 8% per pupil in real terms between 2009–10 and 2017–18.\(^8\)

Capital funding for maintaining the school estate has significantly reduced since 2009–10, as can be seen in Figure 11 of the National Audit Office (NAO)’s Capital Funding for Schools report.\(^9\) The Royal Institute of British Architects (RIBA) found that one in five teachers have considered leaving their jobs, due to the conditions of their school building.\(^10\) Their report also stated that ‘good school buildings have a significant and positive impact on pupil behaviour, engagement, well-being and attainment.’\(^11\)\(^12\)

Despite all of this, funding experienced by individual schools would have varied across the country based on distribution and local authority formulae, and some would have fared better than others.

### 1.3 The current funding landscape

In 2011, the government at the time announced its intention to reform the funding system, and the subsequent National Funding Formula (NFF) was announced in 2016.

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\(^10\) Better Spaces for Learning, The Royal Institute of British Architects, May 2016; [www.architecture.com/knowledge-and-resources/resources-landing-page/better-spaces-for-learning#available-resources](http://www.architecture.com/knowledge-and-resources/resources-landing-page/better-spaces-for-learning#available-resources)

\(^11\) As above.

seeking to make the system ‘fairer, simpler and more transparent’.\textsuperscript{13} The NFF uses a national formula to determine each school’s notional funding allocation. It aims eventually to reduce the role of local authorities in distributing school funding so that each school receives this amount, but for now councils can still redistribute funding in their area.

A second consultation occurred in late 2016. In July 2017, it was announced that £1.3 billion would be redirected from other DfE projects into schools funding. This was followed by a policy document on the NFF in September 2017, which outlined the government’s plans.\textsuperscript{14} This document states that all schools will attract higher levels of funding under the NFF with 42.3% of all schools set to gain over 3% in cash terms and 21.4% over 6%. This is in contrast with the initial proposal, which suggested that some schools would lose up to 3% in cash terms.\textsuperscript{15}

The DfE acknowledges that some schools will fare better than others under the formula, with a sharper focus on funding schools with high levels of deprivation and low attainment.\textsuperscript{16} It is recognised that schools in urban areas will see lower gains than other areas, but these schools will still attract the highest funding levels overall.\textsuperscript{17}

While the prospect of reform was welcomed by most, criticism remains due to continuing financial pressure on school budgets. In evidence given to the Education Select Committee inquiry on school and college funding, the IFS said that while the additional £1.3 billion could allow school budgets to remain constant in real terms per pupil going forward, this is still 4\% less in real terms than in 2015–16 and is likely to understate the effect on real resources.\textsuperscript{18} Both the Association of School and College Leaders (ASCL) and the National Education Union (NEU) were critical of the government’s plans and overall sufficiency in the system. In the responses to DfE’s NFF consultation, published in 2017, it was widely argued that aside from the new distribution system, more funding was needed generally.\textsuperscript{19} This is a sentiment supported by groups who campaign for an increase in school funding, such as ‘WorthLess?’ and ‘Fair Funding for All Schools’.

The Education Policy Institute (EPI) found that in 2010–11, 14.3\% secondary maintained schools were in deficit. This rose to 26.1\% in 2016–17 with the average

\textsuperscript{13} The national funding formula for schools and high needs, Policy document, Department for Education, September 2017, www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs
\textsuperscript{14} As above.
\textsuperscript{15} As above.
\textsuperscript{16} As above.
\textsuperscript{17} As above.
\textsuperscript{18} Evidence to Education Committee Inquiry on School and College Funding, Institute for Fiscal Studies, June 2018, www.ifs.org.uk/publications/13025
\textsuperscript{19} Analysis of and response to the schools national funding formula consultation, Department for Education, September 2017; www.gov.uk/government/consultations/schools-national-funding-formula-stage-2
maintained secondary deficit rising from £292,822 to £374,990 in this period. The EPI also found that the proportion of maintained primary schools in deficit increased over the same period with the average deficit also increasing.

In contrast, in a publication by DfE in July 2018, it was stated that at the end of the 2016–17 academic year, 91.6% of academy trusts had a cumulative surplus and 2.3% had a zero balance. However, the EPI was critical of these figures, noting that without analysing the data at school level, the analysis “misrepresents the number of academies that are in financial difficulty.” A study by the NAO in 2016 found that between 2012–13 and 2014–15, secondary academies that spent more than their income rose from 39% to 61%.

In Parent Kind’s Annual Parent Survey 2017, 42% of parents stated that they had been asked to contribute to their child’s school’s funding. This has risen from 34% in 2016. In London, that figure was significantly higher at 61%.

While local councils can still redistribute funding in their area, the EPI argues there is no guarantee that schools will receive the benefit of the extra £1.3bn, despite DfE saying that it should lead to a 0.5% cash increase per pupil, and could in fact lose up to 1.5% as a result of local decisions. The government has said that plans after 2019–20 are subject to the next Spending Review and has confirmed that the formula will remain ‘soft’ in 2020–21.

1.5 Summary

Overall funding for schools has significantly increased over the last 20 years. The percentage of GDP spent on UK schools by government has risen from 2.8% in 2000 to 3.8% in 2015. More recently, the increases in the level of funding that schools

21 From 5.2% in 2010-11 to 7.1% in 2016-17.
26 The national funding formula for schools and high needs, Policy document, Department for Education, September 2017; www.gov.uk/government/publications/national-funding-formula-for-schools-and-high-needs
are receiving has slowed and it is argued that this is outweighed by the increasing pressures on their budgets.

The distribution of funding to local authorities by central government, with the use of local funding formulae, means that different schools in different areas will be facing different levels of challenge when it comes to their budgets.

2. What pressures have schools been facing?

Schools are facing increasing pressures on their budgets, both from inflation and higher pupil numbers, which has largely been paid for through increasing funding, but also from other pressures that have not. As the EPI evidence in the previous section shows, this could be manifesting in the growing number of schools in deficit. The IFS calculates that if employer pension contributions and higher National Insurance contributions are accounted for, costs faced by schools will increase by 11.7% between 2014–15 and 2019–20.29 The introduction of the national living wage, increased employer pension contributions, national insurance and the apprenticeship levy are all further cost pressures that schools must fund from their existing budgets.

In July 2018, the government announced a pay rise of 3.5% for some teachers after a recommendation by the School Teachers’ Review Body (STRB). The DfE pledged an extra £508 million to fund this.30 However, the EPI suggests that 41% of schools will not receive a big enough year-on-year increase in funding through the NFF to meet a 1% pay rise in 2018–19, rising to 47% of schools by 2019–20.31 The NAO found that due to financial pressures, schools are increasing their teacher contact time, increasing class sizes, reducing their number of teaching assistants and increasing the teaching time of senior leaders.32 Section four in this document: Is there a link between funding and education standards, will discuss the impact of this. EPI evidence suggests that for many schools economies of scale in staffing cannot be made, as may be expected in larger schools and MATs.33

Another reported pressure facing school budgets is the increasing cost of providing for pupils with special educational needs and disabilities (SEND). Schools are required to fund the first £6,000 of support for students with SEND. The local authority will then top up funding past this point for pupils with Education, Health and Care Plans (EHCP), should it be required, from the high needs block of funding.

According to the National Association of Head Teachers (NAHT), there was an increase of 21% of pupils with EHCPs between 2014 and 2015. This followed the first year of implementation of the 2014 Children and Families Act, and is likely to have increased further. Seventy-seven per cent of respondents to a NAHT survey report that cuts to mainstream funding are having a detrimental effect on their ability to find resource for SEND pupils. Eighty-three per cent of respondents to the ‘Breaking point funding survey’ stated that dealing with the additional needs of pupils was a source of financial pressure. We should be cautious with these findings given the potential for respondents to be self-selecting according to their interest in this area.

Further results from the ‘Breaking point funding survey’ also raised concerns around providing assistance for pupils with mental health issues. And, in the 2015 ‘Teacher voice omnibus’, only 32% of respondents felt that there was appropriate training for teachers in school to identify mental health problems. According to the DfE, some local authorities were recognising this and using the Education Services Grant (ESG) to support schools for mental health services. The ESG was an un-ringfenced grant paid on a per-pupil basis, directly to academies and to local authorities for maintained schools. Its aim was to help schools provide non-education services. However, the ESG has ceased and a transitional grant has been distributed for the 2017–18 academic year. This means that local authorities will no longer be able to use the fund as a ring-fenced allocation to help provide specific support for pupils with mental health issues.

Concerns have been raised around the sufficiency of the high needs block generally. In the DfE’s policy document for NFF, there was a promise that every local authority would receive increases to their high needs funding against their planned budgets. Despite increases in high needs funding, many local authorities have been using funding that they were getting for schools to top up their high needs spending. However, with the government’s plans to ring fence the schools

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34 Empty Promises: the crisis in supporting children with SEND, The National Association of Headteachers, September 2018; [www.naht.org.uk/our-priorities/policy-research/?assetdetec1ace44-9d2c-4f3f-a949-dece831233a9=83681](www.naht.org.uk/our-priorities/policy-research/?assetdetec1ace44-9d2c-4f3f-a949-dece831233a9=83681)
35 As above.
36 Breaking point funding survey report 2016/17, The National Association of Headteachers, January 2018; [www.naht.org.uk/our-priorities/policy-research/?assetdetec1ace44-9d2c-4f3f-a949-dece831233a9=78363&p=2](www.naht.org.uk/our-priorities/policy-research/?assetdetec1ace44-9d2c-4f3f-a949-dece831233a9=78363&p=2)
37 As above.
41 Analysis of High Needs Funding, The National Association of Headteachers, May 2018; [https://www.naht.org.uk/our-priorities/policy-research/?assetdetec1ace44-9d2c-4f3f-a949-dece831233a9=81852&p=2](https://www.naht.org.uk/our-priorities/policy-research/?assetdetec1ace44-9d2c-4f3f-a949-dece831233a9=81852&p=2)
block, with a maximum movement of 1.5% to the high needs block, there is concern that providing for pupils with SEND will be even harder.\textsuperscript{42}

Headteachers are also concerned with recent curriculum changes and how to resource support to make sure that pupils with SEND can access the curriculum.\textsuperscript{43} In a House of Commons library research briefing on the spending of the DfE, it was noted that policy changes can have an impact on a school’s budget and the DfE has failed to account for this.\textsuperscript{44} The EPI also found that, with the drive for more pupils to take EBacc subjects, there will be a need to increase the number of teachers in these subjects. For example, there would need to be an increase by 78% in 2019−20 in modern foreign language teachers, to meet the target.\textsuperscript{45}

3. What are schools spending their money on?

There are no clear-cut ways to spend for success in schools. In research conducted by the Programme for International Student Assessment (PISA), they concluded that ‘greater national wealth or higher expenditure on education does not guarantee better student performance. Among high-income economies, the amount spent on education is less important than how those resources are used.’\textsuperscript{46} In August 2018, the DfE published the ‘Supporting excellent school resource management’ guidance. This guidance aims to help schools reduce the cost pressures they may face.\textsuperscript{47}

The DfE also published a report in August 2018 into the trends in school spending between 2002 and 2016. This report found that, in this period, the total spending per pupil increased in real terms by 42%. Spending on teaching staff increased by 17% in real terms in this period, whereas the spending on back office staff increased by 105% and education support staff by 138% in real terms in this period.\textsuperscript{48}

A very high proportion of schools’ budgets go on staffing costs. Estimates for this are consistent across the literature, with teaching staff accounting for around 50% of the budget and non-teaching staff 30%. The IFS states that the additional funding

\textsuperscript{42} Schools national funding formula: government consultation response - stage 1, Department for Education, December 2016; www.gov.uk/government/consultations/schools-national-funding-formula-stage-2

\textsuperscript{43} Empty Promises: the crisis in supporting children with SEND, The National Association of Headteachers, September 2018; www.naht.org.uk/our-priorities/policy-research/?assetdetec1ace44-9d2c-4f3f-a949-dece831233a9=83681

\textsuperscript{44} Spending of the Department for Education, Debate pack, House of Commons Library, June 2018; https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CDP-2018-0167

\textsuperscript{45} The teacher labour market in England: shortages, subject expertise and incentives, The Education Policy Institute, August 2018; https://epi.org.uk/publications-and-research/the-teacher-labour-market-in-england/


\textsuperscript{47} Supporting excellent school resource management, Department for Education, August 2018; www.gov.uk/government/publications/supporting-excellent-school-resource-management

between 1999 and 2010 was largely spent on non-teaching staff, with deprived secondary schools more likely than others to spend it that way.\textsuperscript{49} This was in line with government policy at the time. Policy makers encouraged the use of non-teaching staff in the hope that it would help achieve wider educational and societal objectives.\textsuperscript{50} Evidence of the impact of this spending is discussed in the next section.

Since 2010, the pupil to teacher ratio has been increasing. The pupil to qualified teacher has increased from 17.8 in 2013 to 18.7 in 2017.\textsuperscript{51} The National Foundation for Educational Research (NFER) summarised the surveys and interviews undertaken by the NAO and the House of Commons Library into education spending and found that, in some schools, more experienced teachers are being replaced with unqualified or inexperienced teachers.\textsuperscript{52} It is possible that this may be responsible for a portion of the increase in pupil to qualified teacher, along with general rises in pupil numbers. The impact of teacher to pupil ratio and teacher quality on pupil outcomes will be considered in the next section.

Findings from the NAHT survey also show that leaders are increasingly cutting the number of non-teaching staff hours as part of cost saving measures.\textsuperscript{53} Non-teaching staff are a flexible resource that allows schools to alter their staffing levels relatively easily, to account for changes in budgets. The limited impact of non-teaching staff on pupil outcomes will be covered in the next section.

IFS evidence suggests that the remainder of the additional funds that schools received in the period between 1999 and 2010 were spent on information and communication technology (ICT), energy, professional services and learning resources.\textsuperscript{54} The DfE invested £137 million over 15 years in the Education Endowment Foundation (EEF) to develop and disseminate evidence of what works for the provision of pupils in receipt of the pupil premium. In 2015, the NAO found that 64\% of teaching leaders were using EEF’s ‘Teaching and Learning Toolkit’ and

\textsuperscript{49} School funding increases in England targeted at most deprived and led to particularly large increases in non-teaching staff, Institute for Fiscal Studies, March 2015; www.ifs.org.uk/publications/7644
\textsuperscript{51} Teacher recruitment and retention in England, House of Commons Library, October 2018; https://researchbriefings.parliament.uk/ResearchBriefing/Summary/DBP-7222
\textsuperscript{52} School Funding in England Since 2010 – What the key evidence tells us, National Foundation for Educational Research, January 2018; www.nfer.ac.uk/school-funding-in-england-since-2010-what-the-key-evidence-tells-us/
\textsuperscript{53} Breaking point funding survey report 2016/17, The National Association of Headteachers, January 2018; www.naht.org.uk/our-priorities/policy-research/?assetdetec1ace44-9d2c-4f3f-a949-dece831233a9=78363&p=2
\textsuperscript{54} School funding increases in England targeted at most deprived and led to particularly large increases in non-teaching staff, Institute for Fiscal Studies, March 2015; www.ifs.org.uk/publications/7644
the recommendations in this toolkit may account for some of how the pupil premium is spent by schools.55, 56

The DfE has released a financial benchmarking tool for schools to compare their income and expenditure against other schools.57 This tool can be used by schools to benchmark spending on specific outgoings. They have also released a school resource management assessment tool that can give guidance to trusts and schools on how best to manage their resources.58 However, neither gives information on how much money schools will need.

Additionally, the DfE has published a School Resource Management strategy document setting out the range of support – current and planned – to help schools to reduce costs and get value for money, underpinned by an analysis of how school spending has changed over time.59 This package of support includes access to recommended deals to save money on things that schools buy regularly, such as ICT, facilities management and insurance, as well as support in procurement through pilot regional buying hubs. It includes workforce planning guidance, a workload-reduction toolkit and direct support on staffing costs through both a framework deal for agency supply staff and also the rollout of a free teaching vacancies listing.60

4. Is there a link between funding and education standards?

There is very little conclusive evidence available to show that increased funding has an impact on education standards, or therefore that funding reductions would. PISA scores from the last 12 years show no significant improvement in the outcomes of England’s pupils despite the investment in schools detailed above, and it is therefore very difficult to establish a causal link between funding and outcomes.61,62 The think tank, Reform, found no links between funding and outcomes, based on Ofsted outcomes and schools with the same funding and value added.63 However, DfE analysis found that there was a small effect on primary results, although none at

55 Teaching and learning toolkit, Education Endowment Foundation; https://educationendowmentfoundation.org.uk/evidence-summaries/teaching-learning-toolkit
56 Funding for disadvantaged pupils, National Audit Office, June 2015; www.nao.org.uk/report/funding-for-disadvantaged-pupils/
57 Schools financial benchmarking; https://schools-financial-benchmarking.service.gov.uk/
59 Supporting excellent school resource management, Department for Education, August 2018; www.gov.uk/government/publications/supporting-excellent-school-resource-management
60 Deal for schools: hiring supply teachers and agency workers, Department for Education and Crown Commercial service, August 2018; www.gov.uk/guidance/deal-for-schools-hiring-supply-teachers-and-agency-workers
61 Note that the samples in 2000 and 2003 did not meet the PISA response-rate standards, so cannot be used for comparisons.
62 PISA 2006 Executive Summary, 2007; PISA 2009 Results: Executive Summary, 2010; PISA 2012 Results in Focus, 2014; PISA 2015 Results in Focus, 2018; Organisation for Economic Co-operation and Development
63 Reform Ideas no 5. Must do better: Spending on schools, Reform, May 2013; www.reform.uk/publication/must-do-better-spending-on-schools/
Evidence from American studies suggests that there is a link between spending and labour market outcomes as well as finding a positive impact of spending on early years education and outcomes, especially for more deprived pupils. While there is some research from the UK to support these findings, there is a general consensus in the available evidence that spending has more of an impact on the attainment of FSM pupils than others.

As discussed in the previous section, schools are spending a large proportion of their funding on teachers and much of the rise in funding has gone on non-teaching staff. The evidence suggests that disadvantaged schools have spent the most extra funding on teaching assistants. However, the IFS argues that these teaching assistants have not generally been used in a way to maximise their impact on educational attainment. The Deployment and Impact of Support Staff (DISS) project was a longitudinal study over a five-year period between 2003 and 2008. The findings of this project showed that there was a consistent negative relationship between support from a TA and the progress made by a pupil. The Effective Deployment of Teaching Assistants (EDTA) study found that with targeted intervention, TAs could have a positive impact. Nevertheless, the Making a Statement (MAST) study found that, however well-intentioned, TAs working with statemented students failed to be sufficient to close the attainment gap. The STAR project similarly found that there was no benefit to having a teacher aide in the classroom in the early years of education.

As such, additional funding for disadvantage may not always be as effective as intended. It remains the case that disadvantaged pupils are likely to make less

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64 School funding and pupil outcomes: a literature review and regression analysis, Department for Education, August 2017; www.gov.uk/government/publications/school-funding-and-pupil-outcomes-review
69 Evidence to Education Committee Inquiry on School and College Funding, Institute for Fiscal Studies, June 2018; https://www.ifs.org.uk/publications/13025
70 Deployment and Impact of Support Staff Project, Institute of Education, 2008; http://maximisingtas.co.uk/research/the-diss-project.php
progress than their peers. However, Parent Kind’s Annual Parent Survey 2017 showed that cutting back on TAs was one of the cost-cutting solutions least supported by parents.\(^{74}\)

Teacher quality is known to improve pupil attainment and the Sutton Trust has reported on the impacts of teacher quality on pupil outcomes.\(^{75}\) While it is widely accepted that teacher quality has an impact, little is known regarding the levels of teacher quality across the country, both geographically and the spread between areas of differing socio-economic status.\(^{76}\) There is conflicting evidence on teachers’ qualifications and their impact on pupil outcomes. The EPI suggests that evidence shows a teacher holding a relevant degree in their subject is a characteristic that can predict teacher quality.\(^{77}\) However, an American study found that teachers’ qualifications had little impact on their effectiveness in the classroom.\(^{78}\) The IFS states that there is little evidence that higher teacher salaries increase pupil attainment at key stage 2 and there is more evidence to suggest that student characteristics and non-pecuniary rewards may be more effective in attracting high-quality teachers.\(^{79}\)

In addition, the evidence suggests that a simple increase in teacher numbers is not sufficient to increase pupil attainment. While pupil to teacher ratios are increasing as stated in section three, DfE analysis shows that while they may have an impact on attainment in the early years of education, this tends to be small and diminishes after time.\(^{80}\) The State of Tennessee’s Student/Teacher Achievement Ratio (STAR) project was an American longitudinal study into the impact of class size. The study found that being in a small class in the early years of education had a lasting impact on a pupil’s progress, even up to high school age.\(^{81}\) The EEF supports this finding in their own overview of the available research.\(^{82}\) However, class size cannot be compared to pupil teacher ratios, as the calculation of pupils to adults or qualified

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\(^{75}\) Improving the impact of teachers on pupil achievement in the UK – interim findings, The Sutton Trust, September 2011; www.suttontrust.com/research-paper/improving-impact-teachers-pupil-achievement-uk-interim-findings/

\(^{76}\) The teacher labour market in England: shortages, subject expertise and incentives, The Education Policy Institute, August 2018; https://epi.org.uk/publications-and-research/the-teacher-labour-market-in-england/

\(^{77}\) As above.

\(^{78}\) What Matters for Student Achievement, Spring 2016; https://eric.ed.gov/?id=EJ1092964

\(^{79}\) Estimating the effect of teacher pay on pupil attainment using boundary discontinuities, Institute of Fiscal Studies; March 2014; www.ifs.org.uk/publications/7125


\(^{82}\) Reducing class size, Education Endowment Foundation, August 2018; https://educationendlowmentfoundation.org.uk/evidence-summaries/teaching-learning-toolkit/reducing-class-size/
teachers in a school, does not indicate the number of pupils in any given class. The EEF additionally notes that evidence shows that a reduction in class size is only effective when there are fewer than 20 pupils.\textsuperscript{83} The OECD summarises that while smaller pupil to teacher ratios may be beneficial in the early years of education, there is no consensus on what the best ratio should be at different stages of education.\textsuperscript{84}

There is some evidence to show a link between funding and the attainment of disadvantaged pupils. The EPI found that the progress gap is closing fastest in schools with the highest concentration of disadvantaged pupils. Conversely, the attainment gap is widening in those schools with the lowest proportion of disadvantaged pupils. The EPI notes that this is consistent with the hypothesis that schools with more deprivation funding are able to close the progress gap faster than those with less funding. However, they go on to point out that there may be other factors at play, such as teachers’ experience at teaching disadvantaged pupils.\textsuperscript{85}

The EPI also highlights the success of primary schools in closing the progress gap for disadvantaged pupils in schools with a high proportion of disadvantaged pupils, from 2.1 months in 2006 to 0 months in 2016.\textsuperscript{86} DfE research into the factors associated with achievement at key stage 2 and key stage 4 notes that ‘the socioeconomic gaps reported are stark and substantial. However, these gaps may have been even larger if there had not been a long-running redistributive and compensatory system aimed at alleviating disadvantage already in place.’\textsuperscript{87}

So, while there is some limited evidence that funding can have impact on outcomes, it is not conclusive and what seems to matter more is how money is spent. A helpful summary of academic studies relevant to school funding and outcomes in England can be found in NFER’s ‘School Funding in England Since 2010 – What the Key Evidence Tells Us’.\textsuperscript{88}

5. Areas for potential research

In April 2017, the Education Funding Agency (EFA) and the Skills Funding Agency (SFA) were brought together under the Education Standards Funding Agency (ESFA).

\textsuperscript{83} Reducing class size, Education Endowment Foundation, August 2018; https://educationendowmentfoundation.org.uk/evidence-summaries/teaching-learning-toolkit/reducing-class-size/.

\textsuperscript{84} Class size & Student-teacher ratio, Organisation for Economic Co-operation and Development, September 2018; http://gpseducation.oecd.org/revieweducationpolicies/#!/node=41720&filter=all


\textsuperscript{86} As above

\textsuperscript{87} Factors associated with achievement: key stages 2 and 4, Department for Education, November 2015; www.gov.uk/government/publications/factors-associated-with-achievement-key-stages-2-and-4

\textsuperscript{88} School Funding in England Since 2010 – What the key evidence tells us, National Foundation for Educational Research, January 2018; www.nfer.ac.uk/school-funding-in-england-since-2010-what-the-key-evidence-tells-us/
The ESFA is accountable for funding the education sector and providing oversight of academies, intervening where there is risk or evidence of failure or mismanagement of public funds. However, clearly there is appetite for Ofsted to use its position in the system to explore further the funding situation in schools.

Research into how funding actually impacts on individual schools and pupils is limited. The vast majority is based on national level quantitative data. The qualitative research available is sourced through the medium of surveys, which limits the depth and breadth of the responses and are sometimes self-selecting in terms of respondents.

Ofsted’s research programme is largely qualitative, and involves inspectors and researchers working together to interview people, conduct focus groups and observe practice for themselves. We think there is the potential to conduct a qualitative research piece on school funding and how it impacts leaders’ and teachers’ ability to provide positive outcomes for their pupils.

Talking to a cross-section of schools could help us to better understand:

- what pressures schools are facing
- how they are managing these pressures and using evidence to support decisions
- what impact these decisions have had
- how effective pupil premium spending is.

This list is not exhaustive. Research in this space will provide us with a better understanding of how funding is affecting schools and the impact this may have on the quality of education.
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