30 October 2018

Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
Westminster
SW1A 0AA

Dear Meg,

Further to the committee’s request, I am writing to share with you what Ofsted believes are the major risks to the quality of education and school effectiveness.

I would like to reiterate what I said to the committee during the oral evidence session. As Chief Inspector, I believe that it is important that I comment only on areas where we have evidence, rooted in inspection findings. To do otherwise, and to offer opinions on a wider range of policy matters, would only undermine Ofsted’s credibility.

However, in those areas where our inspections are highlighting system-wide concerns, we have not hesitated to speak out. Since taking up the position of Her Majesty’s Chief Inspector (HMI), I have spoken out, for instance, on off-rolling, the narrowing of the curriculum, illegal unregistered schools, the importance of supporting headteachers from outside pressures, domestic abuse and neglect of children.

This is the approach that I will continue to take throughout my term in office: speaking from the evidence to make sure that Ofsted remains a force for improvement in the education and care sectors.

**Funding**

There is no doubt that funding is a major topic of concern in the sector. With increased employment costs and other pressures, schools are having to make difficult choices after years of growth.

Although government funding per pupil almost doubled in real terms between 1997–8 and 2015–16, what is not clear is whether schools have made the most of this investment. We know that a major area of growth has been in the employment of teaching assistants, particularly in schools with disadvantaged intakes that have benefited from the introduction of the pupil premium. This has some benefit,
particularly to teachers’ workload, but the evidence of its impact on the attainment of pupils is far from clear.

In recent years, as funding growth has slowed, school leaders have had to work harder to balance their budgets and we see this necessitating some difficult choices. Currently, however, my inspectors are not seeing an impact on education standards. Eighty-six per cent of schools are good or outstanding and there is no recent evidence of falling levels of attainment at key stages 2 or 4.

I should say here that the current inspection framework is not designed to capture the effects of curriculum narrowing for schools that continue to meet statutory curriculum requirements. This is one of the reasons why we propose to change our framework, as discussed below.

We will, however, continue to monitor the situation. In light of the committee’s clear interest in this area, I asked my research team to undertake a literature review of the available evidence on school funding; I have annexed it to this letter. In carrying out this review, my researchers have identified areas of further research for Ofsted to explore.

While it is true to say that spending per pupil in primary and secondary schools has increased significantly in real terms since the early 1990s, the same is not true for further education and skills (FES) spending. I have expressed my concerns before, based on our inspection evidence, that the real-term cuts to FES funding are affecting the sustainability and quality of FES provision. My strong view is that the government should use the forthcoming spending review to increase the base rate for 16 to 18 funding.

Accountability for many educational institutions is split across different bodies, in particular the EFSA has responsibility for providers’ finances. We are working closely with the EFSA and Regional Schools Commissioners to improve information sharing, which better helps us hold providers to account.

**Loss of substance**

Where we do have clearer evidence of a decline in the quality of education are in the narrowing of the curriculum in schools and an endemic pattern of prioritising data and performance results, ahead of the real substance of education. Based on feedback from the sector on this issue, one of my first decisions as HMCI was to commission in-depth research into the curriculum.

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That work has confirmed many of our concerns. It should go without saying that schools must work to make sure that pupils leave school with the qualifications and examination results that set them up for future success. The importance of that is not in doubt, and pupil progress and attainment will always be a central measure in the school accountability system.

However, our research has found evidence that an overly data-driven accountability system is narrowing what pupils are able to study and learn. In primary schools, we found examples of schools effectively suspending Year 6 to focus exclusively on SATs, rather than encouraging children to grapple with new mathematical concepts or encouraging them to read widely. Schools were forcing pupils instead to retake reading comprehension papers, with the purpose of boosting the schools’ results, not their pupils’ abilities to read.

In secondary schools, we found many examples of key stage 3 being narrowed to just two years. That means that pupils drop design and technology, art, music or languages after just two years of secondary study, often in very limited time each week. At GCSE, lower attaining pupils were often steered away from EBacc subjects and towards qualifications such as the European Computer Driving Licence that score well in Progress 8 but are of dubious educational value. This has been evidenced by the huge drop in entries to this particular qualification since it ceased to count in the performance tables.

Even for tested subjects, we are seeing schools eliminating from their programmes of study the parts of the curriculum that are not readily tested in the examinations. Some schools are teaching disproportionately exam technique rather than subject content or are devoting excessive time to revision or are relying on exam-oriented interventions. We have heard of schools tracking assessment objectives from GCSEs back to Year 7 and starting studying specification ‘set-texts’ years in advance.

The reasons why schools have adopted these practices are understandable. The accountability system in recent years has become overly weighted in favour of performance data and has shifted away from what is actually being taught. As our own inspection practice has moved away from subject-level review and towards shorter, in many cases just day-long, inspections, Ofsted inspections have themselves become more data-driven. Further more, despite the fact that the vast majority of schools and teachers have never wanted to engage in ‘gaming the system’, when they see other schools doing the same, they feel pressured to emulate those schools or risk poor league-table positions.

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2 The Department for Education has, since 2018, removed the European Computer Driving Licence from its Progress 8 measurement.
This approach is failing young people. That is why, as I have recently announced, I want to rebalance the inspection framework so that Ofsted plays its proper role in complementing rather than intensifying performance data.

Under the new framework, we are proposing a new ‘quality of education’ judgement. This will include curriculum intent, depth and breadth alongside the quality of teaching, the quality of pupils’ work and the resulting outcomes. Rather than viewing outcomes in isolation, we want instead to look at them as the product of a good, strong curriculum. This judgement will have three distinct aspects:

- **Intent** – what is it that schools want for all their children?
- **Implementation** – how is teaching and assessment fulfilling the intent?
- **Impact** – the results and wider outcomes that children achieve, and the destinations that they go on to.

By looking at these factors, we hope to see schools refocus their efforts on what it is their pupils study and learn, making sure that all their students, and in particular the most disadvantaged, study a curriculum that is rich, broad and deep.

At the same time, we believe that this approach will play a part in tackling the teacher recruitment crisis. We know that one of the biggest drivers of teacher workload is the ubiquitous performance data culture. Teachers tell us that they feel they have been turned into data managers. By moving the inspection conversation away from data and towards substance, we will properly re-empower teachers as experts in their subjects.

**Managing who counts**

While one reaction to the pressure of data-driven accountability has been managing what pupils study and which exams they take, the second reaction has been an attempt to manage which pupils count for the purpose of league-table positions.

Over recent months, I have expressed my concerns over off-rolling. There are legitimate reasons for a school to exclude a pupil. And, used correctly, exclusion is a vital measure for headteachers to deploy. I will always stand up for the right of headteachers to exclude pupils where it is necessary. However, the illegal off-rolling of pupils, driven by a desire to boost results, is not acceptable in any circumstances. Such an approach harms children for life.

To play our part in tackling this practice, we have already increased the focus on off-rolling under our existing framework. Inspectors now have information highlighting schools with unusually high levels of pupils leaving their rolls, particularly between years 10 and 11, the GCSE years. With this information, they are better able to ask
school leaders the right questions about how and why these pupil movements are occurring.

Our new inspection framework will go further: the changes we are proposing will make it easier to recognise and reward good work done by schools for all children. By shifting our focus away from performance measures in isolation, we will empower schools to put the child first.

**Intractable schools**

While the overall quality of schools has improved since 2010, 15% of schools were judged to require improvement or to be inadequate at their latest inspection. This is over 3,100 schools.

In last year’s Annual Report, we highlighted a group of ‘intractable’ schools that had had poor performance for a very long time. We remain concerned about schools like these that are ‘stuck’ in a cycle of poor performance. This year, we have looked in more detail at the characteristics of schools that have been judged to require improvement or be satisfactory or inadequate in every inspection they have had since 2005. For schools that became academies during this period, we have included the inspection outcomes of both the previous local authority maintained school and, where available, of the new academy. There are around 490 such stuck schools, including over 290 primary schools and over 190 secondary schools.

Our analysis of these stuck primary and secondary schools found that:

- the proportions of pupils who are eligible for free school meals and those who are White British pupils eligible for free school meals are well above the national average
- the proportion of stuck secondary schools varies considerably among different regions.

That these schools remain poor for so long means that, for some children, in certain areas, there may be no opportunity to attend a good school at any point in their education. This is nothing short of a scandal and is a betrayal of children’s futures.

It is right that successive governments have focused on improving quality in these schools. We know from the experience in places such as London that, with concerted effort, it is possible to bring about wholesale improvement. For that reason, we welcome and support the government’s investment in ‘Opportunity Areas’, which contain some of these intractable schools. However, we also know that some of these schools are likely to have received a number of interventions from national and local schemes over the past decade and yet they have not achieved sustained improvement. To better understand why that is the case, Ofsted will next year
undertake an evaluation project on why interventions designed to secure improvement, including inspection, have not been effective in some schools.

**Outstanding schools**

Ofsted’s main role is to provide independent objective scrutiny of the providers we inspect. Alongside MATs, I am concerned that there are other areas of our education system that lack that oversight.

The most obvious of these are outstanding primary and secondary schools. Since 2011, outstanding schools have been exempt from routine inspection. As a result, some schools have not been inspected in over a decade. This is unpopular with parents and even with teachers.\(^3\) Eighty five per cent of teachers agree that exemption should not be indefinite. More importantly, it leaves us with real blind spots as to the quality of education and safeguarding in these schools. While some issues with outstanding schools will be caught in performance data, allowing us to trigger an inspection, others, such as curriculum narrowing, gaming and poor safeguarding practices, may not.

The outstanding grade should be a symbol that a school is a beacon of excellence. If we are to maintain its reputation, the exemption from inspection for outstanding schools must be removed and Ofsted fully resourced to inspect those schools.

**Education structures**

While school inspection has adapted significantly over the past 25 years, I am concerned that the current construction of the accountability system no longer reflects the education system we have today. When Ofsted was introduced in 1992, England had a largely homogenous school system. Although schools had a wide degree of autonomy by international standards, they sat under the auspices of local authorities and followed a national curriculum. For many schools, that is not the case today.

For my part, I have supported moves to give headteachers greater autonomy through the academy programme and, indeed, I helped to pioneer one of the first major academy trusts. However, that experience has only served to further convince me that it is vital that our inspection and accountability system also evolves to reflect the new reality of the school landscape.

As you will be aware, Ofsted does not at present have the ability to inspect multi-academy trusts (MATs). We believe this situation is untenable. In many MATs, much decision-making now sits at the level of the trust, not just on financial and

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\(^3\) Teachers’ awareness and perceptions of Ofsted, August 2018; [www.gov.uk/government/publications/annual-teachers-survey](http://www.gov.uk/government/publications/annual-teachers-survey)
employment matters, but in determining curriculum, teaching and assessment. To remain properly valid, inspection must reach every level at which decisions are being made, otherwise we will only ever be able to give the Department for Education (DfE), parents and Parliament a partial view of what is happening in our schools. That brings with it very real risks that have started to show themselves in some recent high-profile failures of academy trusts.

**Unregistered provision**

As I am sure you are aware, I have repeatedly expressed my concerns about the number of children disappearing from the formal system and into unregulated, unregistered provision. That includes much alternative provision (AP), which does not always have to be registered and therefore is subject to no independent scrutiny – despite the fact that a lot of AP caters for some of our most vulnerable children.

This provision may not be operating full-time, but children attending may receive their full-time education by attending two or more alternative providers, none of which is inspected or required to meet appropriate standards.

Some children who are removed from school will not end up in any form of AP, but instead will be home-educated. While Ofsted accepts that home education is a legitimate choice for parents, and is often done well, too often, the concept of home education is being warped. We have a lot of anecdotal evidence that suggests that parents are home-educating their children under duress, to prevent exclusion. Often, these parents do not have the capacity to provide a good standard of education. In other cases, parents use home education as a guise to allow them to use illegal schools or to evade the scrutiny of public services.

The lack of information about where these children end up is perhaps my greatest concern as Chief Inspector. I am not proposing that Ofsted inspects home education, but we must now move to a registration process run by local authorities. This would ensure that we know where these children are and that they are safe. I very much hope that the DfE moves quickly from its recent call for evidence to a concrete legislative solution.⁴

On top of this, illegal unregistered schools remain a huge concern for Ofsted. My unregistered schools taskforce is continuing to identify and investigate unregistered schools and we were pleased to support the first successful prosecution of an unregistered school just last week. However, our current lack of powers to seize

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evidence means that we are tackling this problem with one hand tied behind our back.

My inspectors have been shocked by what they have found in these schools. Often, the premises are squalid and unsafe. The quality of education offered is often poor and, in some cases, the curriculum is severely limited. We have heard from children in these schools who, for instance, were never taught basic mathematics or how to read English. This is made easier by the fact that there is no formal definition of full-time education, allowing providers to exploit loopholes. We continue to call for a tighter definition of what constitutes a school and for a lower hourly threshold for an institution to qualify. This would allow us to make sure that more young people are being educated in suitable provision and help to tackle the three main risks our inspectors have identified to pupils in these schools:

- Firstly, the very narrow education being taught: some of these schools are giving a predominantly or exclusively religious education. I am greatly concerned that these children are not being prepared for life in modern Britain.

- Secondly, the threat of exposure to extremism: in some schools we see extremely worrying material. This material has been found in poorly performing registered independent schools and even in a maintained community school, but also in unregistered schools, where our powers to tackle it are far more limited. We have, for instance, found books that say it is acceptable for men to use physical violence against their wives, texts that say it is unacceptable for women to refuse sex to their husbands and literature calling for the death of gay people. These texts have no place in young people's education.

- And, finally, the ability to hide child abuse: anywhere where there is not adequate scrutiny of adult engagement with children, there is the risk of child abuse. When children are educated in a mainstream school, any adult coming into contact with those children has been DBS checked and must follow clear safeguarding procedures. This is not always the case in unregistered schools.

**Community pressures**

I am also concerned that too little support is given by the DfE and local authorities to schools that face pressure from groups in the local community or national pressure groups. You will be aware of a number of high-profile examples in recent years.

When these groups press for changes in school policy on the basis of religion or culture, it can lead to the curtailing of rights of other protected groups, most often girls. This can affect what is taught, what is not taught, what activities children take part in and what they are withdrawn from, and what children wear or do not wear. Ofsted will always support schools that make the right decisions in the interests of all
children who attend their school, particularly when this is in the face of undue influence. However, as the inspectorate, there is only so much we can do. We very much hope that the DfE moves to put in place stronger guidance to support schools that find themselves in these circumstances.

I hope that this letter provides you with the information you were seeking. In addition, I will shortly be publishing my Annual Report 2017/18, with a full overview of our findings in all the remits we have inspected over the past year.

Yours sincerely

Amanda Spielman
Amanda Spielman
Her Majesty’s Chief Inspector
1. Context: 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 which does not go directly to frontline education) as well as cuts to capital spending on schools.\(^5\)

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 held constant in real terms per pupil after 2010, before a loss of four

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\(^1\) IFS, School funding increases in England targeted at most deprived and led to particularly large increases in non-teaching staff, March 2015

\(^2\) IFS, Long-run comparisons of spending per pupil across different stages of education, March 2017

\(^3\) NFER, School Funding in England Since 2010 - What the Key Evidence Tells Us, January 2018

\(^4\) For example: NFER, School Funding in England Since 2010 - What the Key Evidence Tells Us, January 2018 and OECD, What is the impact of the economic crisis on public education spending?, December 2013

\(^5\) HM Treasury, Spending Review 2010
per cent in real terms between 2015−16 and 2016−17.\(^6\) 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 eight per cent 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 seeking to make the system ‘fairer, simpler and more transparent’.\(^13\) 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.\(^14\) This document states that all schools will attract higher levels of funding under the national funding formula with 42.3% of all schools set to

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\(^6\) House of Commons Library, *Spending of the Department for Education, Debate pack*, June 2018
\(^8\) IFS, *2018 Annual Report on Education Spending in England*, September 2018
\(^9\) NAO, *Capital Funding for Schools*, February 2017
\(^11\) Ibid.
\(^12\) The University of Newcastle conducted a literature review on the impact of school conditions which gives an overview of the evidence available. See: Higgins, Hall, Wall, Woolner and McCaughey, *The Impact of School Environments: A literature review*, 2005
\(^13\) DfE, *The national funding formula for schools and high needs, Policy document*, September 2017
\(^14\) Ibid.
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 underestimate 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 maintained secondary deficit rising from £292,822 to £374,990 in this period.\textsuperscript{20} The EPI also found that the proportion of maintained primary schools in deficit increased over the same period with the average deficit also increasing.\textsuperscript{21}

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.\textsuperscript{22} However, the EPI were 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.’\textsuperscript{23} 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%.\textsuperscript{24}

\begin{itemize}
  \item \textsuperscript{15} Ibid.
  \item \textsuperscript{16} Ibid.
  \item \textsuperscript{17} Ibid.
  \item \textsuperscript{18} IFS, \textit{Evidence to Education Committee Inquiry on School and College Funding}, June 2018
  \item \textsuperscript{19} DfE, \textit{Analysis of and response to the schools national funding formula consultation}, September 2017
  \item \textsuperscript{20} EPI, \textit{School funding pressures in England}, March 2018
  \item \textsuperscript{21} From 5.2% in 2010-11 to 7.1% in 2016-17.
  \item \textsuperscript{22} DfE, \textit{Academy revenue reserves 2016 to 2017}, July 2018
  \item \textsuperscript{23} EPI, \textit{Analysis: Why new DfE statistics may be concealing the number of academies in financial difficulties}, July 2018
  \item \textsuperscript{24} NAO, \textit{Financial sustainability of schools}, Dec 2016
\end{itemize}
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%.\(^{25}\)

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.\(^{26,27}\) The government has said that plans after 2019–20 are subject to the next Spending Review and have 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.\(^{28}\) More recently, the increases in the level of funding schools 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 which 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 suggest that 41% of schools will not receive a big enough year-on-year increase in funding through the NFF to

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\(^{26}\) DfE, *The national funding formula for schools and high needs, Policy document*, September 2017

\(^{27}\) EPI, *School funding pressures in England*, March 2018


\(^{29}\) IFS, *Schools Spending, IFS Briefing Note, Election 2015* March 2015

\(^{30}\) DfE, *Government to fund pay rise for teachers*, July 2018
meet a 1% pay rise in 2018–19, rising to 47% of schools in 2019–20.\textsuperscript{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.\textsuperscript{32} Section four 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.\textsuperscript{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 students with SEND for the first £6,000 of support. 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.\textsuperscript{34} 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 an NAHT survey report that cuts to mainstream funding are having a detrimental effect on their ability to find resource for SEND pupils.\textsuperscript{35} 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.\textsuperscript{36} 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.\textsuperscript{37} 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.\textsuperscript{38} According to the DfE, some local authorities were recognising this and using the Education Services Grant (ESG) to support schools for mental health services.\textsuperscript{39} 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.\textsuperscript{40} 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.

\textsuperscript{31} EPI, \textit{School funding pressures in England}, March 2018
\textsuperscript{32} NAO, \textit{Financial sustainability of schools}, Dec 2016
\textsuperscript{33} EPI, \textit{School funding pressures in England}, March 2018
\textsuperscript{34} NAHT, \textit{Empty Promises: the crisis in supporting children with SEND}, September 2018
\textsuperscript{35} Ibid.
\textsuperscript{36} NAHT, \textit{Breaking point funding survey report 2016/17}, January 2018
\textsuperscript{37} Ibid.
\textsuperscript{38} DfE, \textit{Teacher voice omnibus: June 2015 responses}, December 2015
\textsuperscript{39} DfE, \textit{Savings to the education services grant for 2015 to 2016}, July 2014
\textsuperscript{40} DfE, \textit{Education services grant (ESG) transitional grant 2017 to 2018 for local authorities}, October 2017
Concerns have been raised around the sufficiency of the high needs block generally.\textsuperscript{41} 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 need spending. However, with the government’s plans to ring fence the schools 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 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 between 1999 and 2010 was largely spent on non-teaching staff, with deprived

\textsuperscript{41} NAHT, \textit{Analysis of High Needs Funding}, May 2018
\textsuperscript{42} DfE, \textit{Schools national funding formula: government consultation response - stage 1}, December 2016
\textsuperscript{43} NAHT, \textit{Empty Promises: the crisis in supporting children with SEND}, September 2018
\textsuperscript{44} House of Commons Library, \textit{Spending of the Department for Education, Debate pack}, June 2018
\textsuperscript{45} EPI, \textit{The teacher labour market in England: shortages, subject expertise and incentives}, August 2018
\textsuperscript{46} OECD, “\textit{Does Money Buy Strong Performance in PISA?”}, \textit{PISA in Focus, No. 13}, February 2012
\textsuperscript{47} DfE, \textit{Supporting excellent school resource management}, August 2018
\textsuperscript{48} DfE, \textit{Trends in school spending: 2002 to 2016}, August 2018
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 could be 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 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’\textsuperscript{55} and the recommendations in this toolkit may account for some of how the pupil premium is spent by schools.\textsuperscript{56}

The DfE has released a financial benchmarking tool for schools to compare their income and expenditure against other schools.\textsuperscript{57} This tool can be used by schools to benchmark spending on specific outgoings. They have also released a school resource management assessment tool, which can give guidance to trusts and

\textsuperscript{49} IFS, School funding increases in England targeted at most deprived and led to particularly large increases in non-teaching staff, March 2015
\textsuperscript{50} IFS, The distribution of school funding and inputs in England: 1993-2013, March 2015
\textsuperscript{51} House of Commons Library, Teacher recruitment and retention in England, October 2018
\textsuperscript{52} NFER, School Funding in England Since 2010 - What the Key Evidence Tells Us, January 2018
\textsuperscript{53} NAHT, Breaking point funding survey report 2016/17, January 2018
\textsuperscript{54} IFS, School funding increases in England targeted at most deprived and led to particularly large increases in non-teaching staff, March 2015
\textsuperscript{55} Available here: https://educationendowmentfoundation.org.uk/evidence-summaries/teaching-learning-toolkit
\textsuperscript{56} NAO, Funding for disadvantaged pupils, June 2015
\textsuperscript{57} Available here: https://schools-financial-benchmarking.service.gov.uk/
schools on how best to manage their resources. 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. 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.

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. The think tank Reform found no links between funding and outcomes, based on Ofsted outcomes and schools with the same funding and value added. However, DfE analysis found that there was a small effect on primary results, but none at secondary. 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,

60 Information here: https://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 OECD, PISA 2006 Executive Summary, 2007; OECD, PISA 2009 Results: Executive Summary, 2010; OECD, PISA 2012 Results in Focus, 2014; OECD, PISA 2015 Results in Focus, 2018
63 Reform, Reform Ideas no 5. Must do better: Spending on schools, May 2013
64 DfE, School funding and pupil outcomes: a literature review and regression analysis, August 2017
there is a general consensus in the available evidence that spending has more of an impact on the attainment of FSM pupils than others.\textsuperscript{67,68}

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.\textsuperscript{69} 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.\textsuperscript{70} The Effective Deployment of Teaching Assistants (EDTA) study found that with targeted intervention, TAs could have a positive impact.\textsuperscript{71} However, 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.\textsuperscript{72} The STAR project similarly found that there was no benefit to having a teacher aide in the classroom in the early years of education.\textsuperscript{73}

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 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.\textsuperscript{74}

Teacher quality is known to improve pupil attainment and the Sutton Trust has reported on the impacts of teacher quality on pupil outcomes.\textsuperscript{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.\textsuperscript{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.\textsuperscript{77} However, an American study found that teachers’


\textsuperscript{68} DfE, \textit{School funding and pupil outcomes: a literature review and regression analysis}, August 2017

\textsuperscript{69} IFS, \textit{Evidence to Education Committee Inquiry on School and College Funding}, June 2018

\textsuperscript{70} IoE, \textit{Deployment and Impact of Support Staff Project}, 2008

\textsuperscript{71} IoE, \textit{Challenging the Role and Deployment of Teaching Assistants in Mainstream Schools: the Impact on Schools}, 2013

\textsuperscript{72} IoE, \textit{Making a Statement Study}, 2013

\textsuperscript{73} Project STAR, \textit{The State of Tennessee’s Student/Teacher Achievement Ratio (STAR) Project Final Summary Report 1985 – 1990}, 2008

\textsuperscript{74} Parent Kind, \textit{Annual Parent Survey 2017, Part 1 – School Funding}, September 2017

\textsuperscript{75} The Sutton Trust, \textit{Improving the impact of teachers on pupil achievement in the UK – interim findings}, September 2011

\textsuperscript{76} EPI, \textit{The teacher labour market in England: shortages, subject expertise and incentives}, August 2018

\textsuperscript{77} Ibid.
qualifications had little impact on their effectiveness in the classroom. The IFS states that there is little evidence that higher teacher salaries increase pupil attainment at KS2 and there is more evidence to suggest that student characteristics and non-pecuniary rewards may be more effective in attracting high-quality teachers.

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. 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. The EEF supports this finding in their own overview of the available research. However, class size cannot be compared to pupil teacher ratios, as the calculation of pupils to adults or qualified 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. 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.

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.

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. DfE research into the factors associated with achievement at KS2 and KS4 notes that ‘the socioeconomic gaps reported are stark and substantial. However, these gaps may have been even larger if there had

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78 *What Matters for Student Achievement*, Spring 2016
82 EEF, *Reducing class size*, August 2018
83 Ibid.
84 OECD, *Class size & Student-teacher ratio*, September 2018
85 EPI, *Divergent Pathways: the disadvantage gap, accountability and the pupil premium*, July 2016
86 Ibid.
not been a long-running redistributive and compensatory system aimed at alleviating disadvantage already in place.\(^{87}\)

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’.\(^{88}\)

**5. Areas for potential research**

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

\(^{87}\) DfE, *Factors associated with achievement: key stages 2 and 4*, November 2015

\(^{88}\) NFER, *School Funding in England Since 2010 - What the Key Evidence Tells Us*, January 2018