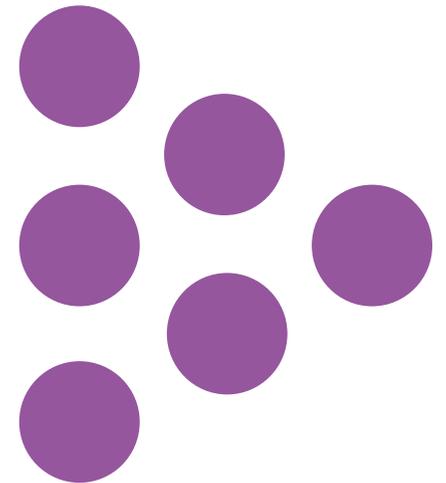

Schools' responses to Covid-19

The implications of Covid-19 on the school funding landscape

National Foundation for Educational Research (NFER)



The implications of Covid-19 on the school funding landscape

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Executive Summary

At the time of writing, the school funding policy landscape is changing rapidly. This report is based on the information available as of the 27 November 2020.

While Covid-19 continues to pose a threat, schools are taking additional measures to avoid the spread of infection and support pupils learning remotely. These include increased cleaning, hiring supply staff where teachers are self-isolating, hiring additional support staff to facilitate social distancing, purchasing personal protective equipment (PPE) and providing additional resources for pupils learning remotely. This is in addition to their focus on addressing the learning gaps created by school closures earlier in the year.

NFER's surveys of schools' responses to Covid-19 in May and July (see Nelson and Sharp, 2020 and Sharp *et al.*, 2020) identified that a top priority for senior leaders was for the Government to provide more funding in order to manage the impact of Covid-19. Since then, a campaign with cross-union support has been mobilised calling for the Government to fully fund schools for Covid-19 costs and provide relief for loss of income. To date, the campaign's petition has been signed by over 25,000 people (UK Government and Parliament, 2020; NAHT, 2020c).

Our report draws on the existing evidence base to provide an objective investigation of the extent to which mainstream primary and secondary schools in England will be able to meet the additional costs of Covid-19 through existing and additional government funding.

What additional costs have schools incurred as a result of Covid-19?

In July, senior leaders anticipated requiring significant additional resource to fully re-open schools

Among the 78 per cent of senior leaders who had concerns about the manageability of opening their schools to all pupils in September while taking measures to minimise the risk of infection, the cost of additional staffing and resource needs represented an increase in total expenditure of approximately one-fifth for an average primary and one-tenth for an average secondary school (Sharp *et al.*, 2020).

This is substantial, even when accounting for the fact that some of the additional staffing and resources that senior leaders estimated they needed may be desirable rather than essential or have already been met by existing government schemes.

So far, in the 2020/21 academic year, schools have lost a significant amount of income and incurred substantial additional expenditures

Before the pandemic, schools' self-generated income from facilities and services, voluntary donations and catering, accounted for around four per cent of their total income on average, a small but significant share of their available revenue. Schools have reported that Covid-19 has had a considerable effect on this revenue stream, with the

average amount of self-generated income lost being as significant as the average additional expenditures incurred.

To what extent were schools in a position to meet unexpected costs before Covid-19?

Deficit (Surplus): A school with negative (positive) overall revenue balance.

In-year Deficit (Surplus): A school whose annual expenditure is larger than their annual income by the end of the financial year.

A number of schools were in deficit before Covid-19

A substantial number of schools started the pandemic with either a deficit or small surplus. These schools will be less able to absorb the unexpected costs of Covid-19.

Local Authority (LA) maintained secondary schools were particularly likely to be running a deficit, with almost three in every ten of these schools doing so. However, estimates for academy and LA-maintained schools are not directly comparable. The figures for academies are approximate, they operate different financial years and are generally part of a larger trust, where resources can be more easily moved between schools to cover deficits.

Deprived schools are receiving the smallest average budget increases due to the Government’s ‘levelling-up’ policy

The Government increased school funding by £2.6 billion in 2020/21, with further increases pledged in the next two years. The schools which stand to experience the largest increases in funding from the Government’s ‘levelling-up’ policy (DfE, 2020i) – which is focused on raising the minimum level of funding received per pupil, are those currently receiving the lowest levels of funding per pupil.

As more deprived schools – those in the quartile with the highest proportions of disadvantaged pupils (defined as pupils who are eligible for free school meals) on roll typically already receive higher levels of funding per pupil than other schools to reflect the increased challenges they face, they are set to experience the smallest increases in funding as a result of levelling-up. Our previous Covid-19 research identified that these schools face the biggest challenge in supporting their pupils to catch-up (Sharp *et al.*, 2020).

Based on notional National Funding Formula (NFF) allocations and current inflationary projections, approximately one in four schools will not be able to meet the costs of Covid-19 through 2020/21 funding increases¹. These schools are disproportionately likely to be deprived.

The 2021/22 funding increase will not be sufficient to help all schools meet the costs of Covid-19

¹ Our analysis of funding changes is based on notional amounts. Actual school-level funding is determined by the local authority (for LA-maintained

schools) or the school trust (for academies). Final amounts are not currently known for 2020/21.

At the November 2020 Spending Review, the Government signalled its intention to freeze teacher salaries for the 2021/22 academic year (HM Treasury, 2020b), as well as delaying its commitment to raise teacher starting salaries to £30,000 by one year to 2023/24 (Whittaker, 2020). However, the Government reiterated its commitment to the current three-year spending settlement, which includes a £2.2 billion increase in school funding for 2021/22. As school leaders no longer need to cover teacher salary increases in 2021/22, they will have more resources available to meet the costs of Covid-19.

However, this will not help schools who are facing resource pressures now. Schools are currently incurring significant Covid-19 related costs which, without additional support this financial year, may mean that large numbers end up in a deficit position or increase the size of their existing deficits by the end of the year. Further, due to the Government's levelling-up policy outlined above, not all schools are set to benefit equally from future funding increases. In 2021/22, as in 2020/21, deprived schools are set to receive the smallest average increases in funding.

1,500 schools are particularly at risk of great financial hardship due to Covid-19

Our analysis identifies a group of around 1,500 schools who are particularly at risk from the financial impact of the pandemic. These are the schools which had either a deficit or a small surplus before the pandemic, whose notional increases in funding in the 2020/21 academic year will not cover their usual school cost increases (e.g.

teacher pay increases) and Covid-19 costs. Again, these schools are disproportionately likely to be deprived.

Has additional funding for Covid-19 been sufficient?

The exceptional costs associated with coronavirus scheme only covered some of the additional costs which schools incurred during the 2019/20 academic year

The Government provided an *exceptional costs* scheme to pay for a few core Covid-19 related costs, but this was only available between March and July 2020 and the amount which schools could request was capped (DfE, 2020m). Costs covered were: premises costs for opening schools during holidays, costs of providing free school meals for pupils not attending school, and additional cleaning costs where there had been a suspected or confirmed Covid-19 infection.

In addition, schools facing other 'extraordinary costs' to deliver appropriate support to their pupils over the summer term were able to register the details of these claims through the application process. Almost half of the schools applying to the scheme requested support for 'extraordinary costs' (e.g. for the costs of PPE). The scale of the 'extraordinary' costs registered were, on average, as large as the total amounts claimed through the core scheme. To date, it is unclear to what extent the Government will be refunding these costs.

Despite its limited coverage, many schools still applied for the exceptional costs scheme

Although the Government's *exceptional costs* scheme was targeted at schools with an existing deficit or an in-year deficit (DfE, 2020m), almost two-thirds of schools (65 per cent) applied for the scheme

between March and July. This compares to 48 per cent of schools who would have met the criteria for the scheme in 2018/19, which demonstrates the widespread impact that the pandemic has had on schools.

Schools in London and urban areas were more likely to apply for the *exceptional costs* scheme

Take-up of the *exceptional costs* scheme shows a wide-variation in the extent to which school finances have been affected in different parts of England. London and other urban local authorities have tended to be heavily impacted, while in other local authorities, relatively few schools have claimed.

The widespread variation in the costs claimed by schools suggests some schools’ finances have been impacted much more than others’

While primary schools claimed £7,800 on average, there was wide variation between schools. The quarter of primary schools which claimed the lowest amounts claimed less than £2,000, while the quarter that claimed the largest sums claimed more than £9,700. The pattern is similar for secondary schools which claimed £23,900 on average, with a quarter claiming less than £7,400 and a quarter claiming more than £31,200. This suggests that there are large differences in the degree to which different schools’ finances have been impacted by Covid-19, although some of these differences can be explained by school-size.

The new *Covid workforce fund* is unlikely to ease pressures on school finances

The Department for Education (DfE) have just announced, on the 27th of November, a new *Covid workforce fund* to cover the costs of high levels of staff absence over a minimum threshold for November and December (DfE, 2020k). While the *Covid workforce fund* provides welcome support for schools in meeting the costs of Covid-19, the scheme’s current eligibility criteria and coverage suggest that it will not go far towards easing the current resource pressures on schools.

The current catch-up support is unlikely to reach all the pupils who need it

In July, teachers estimated that 44 per cent of their pupils were in need of intensive catch-up support (Sharp *et al.*, 2020). To support schools, the Government has provided additional support through the *catch-up premium* and National Tutoring Program (NTP). However, resource pressures may mean that some schools divert this catch-up premium to other purposes. There are also currently only enough places on the National Tutoring Programme for less than one in every five pupils known to be eligible for free school meals in England.

Conclusions and recommendations

We find that existing and additional funding will be insufficient to cover the additional costs of Covid-19, at least for a number of at-risk schools.

While it is key that public money is spent effectively, there is a risk that these schools may divert resources which could be used for teaching and catch-up (e.g. to ensure there is suitable IT access for their pupils), or place additional pressures on their workforce to meet these needs. Our analysis distinguishes three key risk factors which

increase the likelihood that a school may not be able to withstand the additional costs of the pandemic. A school may be affected by more than one of these risk factors:

- **Disadvantage**

The most deprived schools face the most significant challenges in supporting pupils to catch-up. Pupils within these schools are more likely to lack access to the technology required to benefit from remote/blended learning and catch-up support. Further, for almost two in every five of these schools, recent notional funding increases are only just sufficient to meet the costs of increased teacher salaries and other inflationary pressures in 2020/21. Therefore, any additional costs such as those incurred by Covid-19 will have to be met by using reserves or by making budget cuts.

- **Schools with either a deficit or a small surplus before the pandemic, who receive small recent notional increases in funding** These schools will face significant challenges in meeting even small levels of unexpected Covid-19 costs.

- **Urban location**

Our analyses show that schools in urban areas were more likely to have applied for support in the 2019/20 school year, which may reflect increased need. Further evidence is required to establish whether these patterns have continued during the 2020/21 academic year.

While our understanding of the scale and extent of additional funding needs will continue to develop as the evidence base improves, it is crucial that those schools which have been particularly impacted are

given additional emergency support to ensure that all pupils, particularly those from disadvantaged backgrounds, have the opportunity to reach their potential.

Recommendations

1. While it is crucial that existing and additional money is spent effectively, emergency support is needed to help some schools meet the costs of Covid-19, particularly those deprived schools without the financial resilience to meet the costs of the pandemic from their existing budgets.
2. The Government should adopt a more progressive approach to NFF funding during this unprecedented time to assist the most deprived schools in providing the extra support needed to help their pupils recover lost curriculum learning.
3. As schools are currently not able to access sufficient catch-up support for all of their disadvantaged pupils, targeted funding should be increased as part of a longer-term programme of catch-up support.
4. Schools should be provided with additional in-kind and/or financial resources with a minimum level of IT devices and internet connectivity to ensure that all their pupils are able to access remote/blended learning and catch-up support. This could include sharing devices between pupils as the need arises.

Introduction

The Covid-19 pandemic has had dramatic social and economic impacts across all aspects of society, including education. On the 20th March 2020, the UK Government shut down all schools, nurseries and colleges to all pupils, except for the children of key workers and vulnerable pupils. In England, there was a partial re-opening of schools in June which focused on particular year groups.

While Covid-19 continues to pose a threat, schools are taking measures to avoid the spread of infection and support pupils learning remotely. These include increased cleaning, hiring supply staff where teachers are self-isolating, hiring support staff to facilitate social distancing, purchasing PPE and providing resources for pupils learning remotely. This is in addition to their focus on addressing the learning gaps created by school closures earlier in the year.

The costs of these measures have created new pressures on school finances, and follow a nine per cent cut in real terms school spending per pupil in England between 2009/10 and 2019/20 (Britton *et al.*, 2020). A campaign with cross-union support has been mobilised calling for the Government to fully fund schools for Covid-19 costs and provide relief for loss of income. To date, the campaign's petition has been signed by over 25,000 people (UK Government and Parliament, 2020; NAHT, 2020c). However, in the November 2020 Spending Review, the Government did not provide much additional support for schools to meet these costs and it remains unclear to what extent additional pressures will be met by the £2.6 billion increase in the school's budget for 2020/21.

NFER's surveys of schools' responses to Covid-19 in May and July (see Nelson and Sharp, 2020 and Sharp *et al.*, 2020) identified that a

top priority for senior leaders was for the Government to provide more funding in order to manage the impact of Covid-19. Building on this research, our report draws on the existing evidence base to provide an objective investigation of the extent to which mainstream primary and secondary schools in England will be able to meet the additional costs of Covid-19 through existing and additional government funding.

NFER's research on schools' responses to Covid-19

This report is part of a larger suite of NFER research focusing on schools' responses to Covid-19. Our earlier research used NFER surveys of teachers and senior leaders in May and July to investigate schools' responses to Covid-19, which included an investigation of:

- the extent to which pupils were behind in their curriculum learning in relation to teachers' normal expectations for the end of the school year
- the impact of Covid-19 on the 'disadvantage gap'
- the need for catch-up support from September; and
- schools' experiences of offering remote learning from March, and blended learning (remotely and in-school) from June.

Our Covid-19 research can be found on the [NFER website](#).

Section 1: What additional costs have schools incurred as a result of Covid-19?

The scale of additional resource needs resulting from Covid-19 is considerable

In July, our NFER survey found that while most senior leaders predicted that they would find it at least ‘somewhat manageable’ to open to all pupils while taking measures to minimise the risk of infection, many identified a need for additional staffing and resources (Sharp *et al.*, 2020). Senior leaders said they needed additional teachers, teaching assistants, cleaning staff, support staff, funding for additional cleaning, IT and protective equipment. Increases in staffing requirements are likely to reflect the need to keep pupils in year groups, classes, or smaller ‘bubbles’, separated from pupils in other bubbles.

Of the 78 per cent of senior leaders who expressed concerns about the manageability of opening their schools under these circumstances (those who said it was ‘somewhat manageable’ or ‘completely unmanageable’), the cost of additional staffing and resource needs represented an increase in total expenditure of approximately one-fifth for an average primary and one-tenth for an average secondary school (see Appendix for further detail).

The need for additional IT equipment was particularly acute in the most deprived schools. For example, senior leaders in more deprived schools reported requiring three times more funding for IT provision than the most affluent schools. This is a reflection of the high share of pupils who had limited or no IT access in July: senior leaders reported that about a quarter (28 per cent) of pupils had limited access to IT at home, and this was higher for the most deprived schools. While the Government has been providing schools with IT provision since May,

it is currently limiting the number of free laptops which it is providing to schools (DfE, 2020h). A recent survey from Teach First found that the vast majority of schools (84 per cent) with the poorest pupils still do not have enough devices and internet access to ensure all self-isolating pupils can keep learning (Teach First, 2020).

These estimates represent the amount of additional staffing and resources senior leaders *estimated they needed*, as opposed to what *schools could actually afford*. This may partly explain why the size of resource needs are substantially higher than the costs which have actually been incurred by schools (see discussion overleaf).

While it is crucial that public money is spent effectively, differences between the scale of financial *needs* and amounts actually *spent* may indicate that schools will need to divert resources which could be provided for teaching and catch-up (e.g. ensuring suitable IT access for their pupils), and/or place additional pressures on their workforce to meet resource needs. This is evidenced by the Teach First survey highlighted above which found that nearly half of schools (47 per cent) were planning to reduce spending in other areas to pay for devices and internet, including spending on textbooks and Continuing Professional Development for teachers (Teach First, 2020).

Section 1: What additional costs have schools incurred as a result of Covid-19?

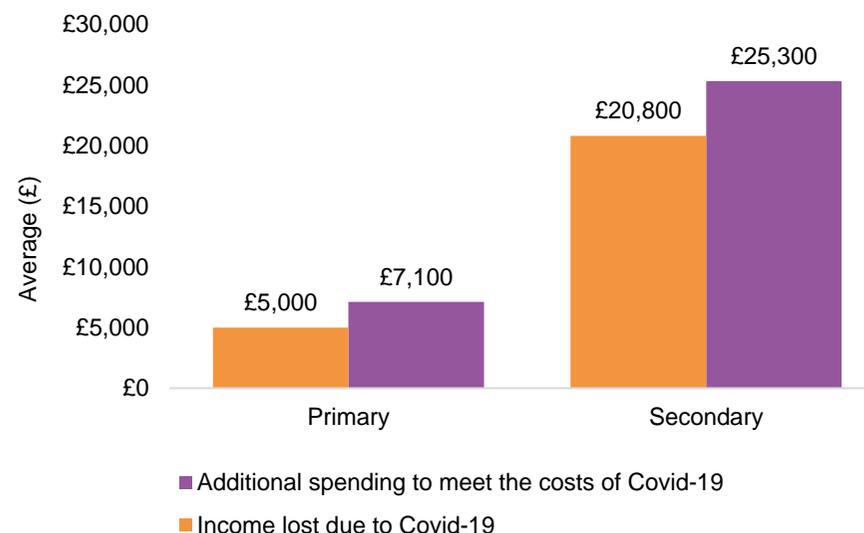
Schools have lost a significant amount of income and incurred substantial additional expenditure during this academic year

To examine the actual financial impact of the pandemic in the 2020/21 academic year, NAHT conducted a survey of their membership in September and October 2020 to establish the scale of additional expenditure that schools had incurred and the amount of income schools had foregone as a result of Covid-19 (NAHT, 2020b). We have used this data to assess to what extent Covid-19 has impacted on mainstream primary and secondary school finances.

During the first five weeks of term, we find that primary schools spent, on average, £7,100 on meeting the additional costs of Covid-19 and lost £5,000 of income due to Covid-19. Similarly, secondary schools, on average, lost £20,800 of income and incurred £25,300 of additional expenditures due to Covid-19.

These estimates are only intended to provide a preliminary and indicative picture of the impact that Covid-19 has had on school finances this academic year (see detail on key limitations below).

Indicative income lost and additional expenditures incurred by schools in the first five weeks of the autumn term, 2020



Source: NFER analysis of NAHT data

Key limitations of the NAHT data

- The data could not be weighted to be nationally representative.
- There is a wide range of uncertainty around central estimates.
- Estimates may overstate the impact of the pandemic on school finances as more affected schools are more likely to provide a response.
- There are substantial differences between schools which are not captured by estimates based on an 'average school'.

Section 1: What additional costs have schools incurred as a result of Covid-19?

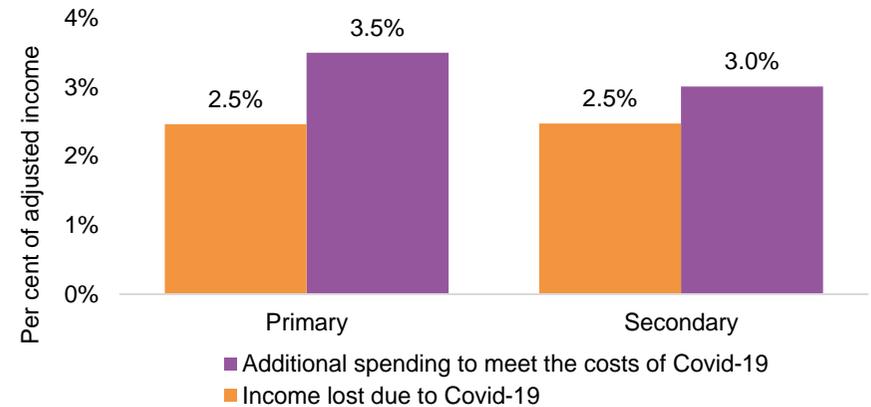
The scale of income lost by schools, on average, as a result of Covid-19 has been almost as significant as the average additional expenditures incurred

These findings suggest that the scale of income lost by schools, on average, as a result of Covid-19 has been almost as significant as the average additional expenditures incurred. This is not surprising as most schools earn a small but significant share of their income from self-generated income sources e.g. breakfast and after school clubs, hiring facilities to other organisations, fund raising by parent teacher associations. Prior to Covid-19, schools earned, on average, 4.1 per cent of their total annual income from facilities and services (1.9 per cent), donations and voluntary funds (0.9 per cent) and catering services (1.3 per cent). Least deprived schools were, on average, the most dependent on self-generated income. To date, the Government has not provided any additional support to help schools cover the costs of lost income resulting from the pandemic during the current or previous academic year.

Overall, the total costs indicated by the NAHT survey suggest that additional expenditure and lost income represent over five per cent of school income over a five-week period. Assuming that the additional costs incurred as a result of Covid-19 continue to be broadly comparable across the coming year, the impact of Covid-19 on school finances will be very significant.

The remainder of this report considers to what extent these unexpected costs will be met by existing and additional government funding.

Percentage of average annual income lost and additional expenditure incurred by schools in the first five weeks of term



Source: NFER analysis of NAHT data

Note: Income is based on a five-week period for consistency with the period during which costs are measured.

Summary

- The scale of additional resource needs resulting from Covid-19 is considerable.
- Schools have lost a significant amount of income and incurred substantial additional expenditure during this academic year.

Section 2: To what extent were schools in a position to meet unexpected costs before Covid-19?

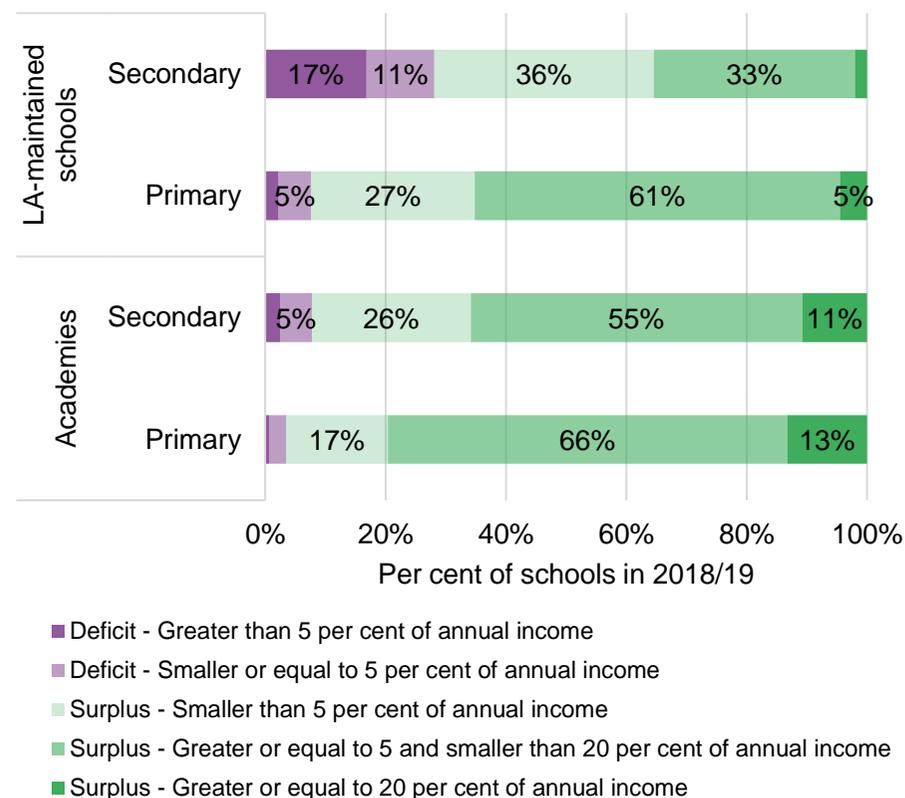
A number of schools were in deficit before Covid-19

Schools entered the Covid-19 pandemic in a wide-range of financial situations. On average, nine per cent of LA-maintained schools and six per cent of school trusts were in deficit in 2018/19 (DfE, 2020a) – that is, where a school has a negative overall revenue balance. These shares are substantial given that school balances ‘acutely reflect financial and operational viability’ (ESFA, 2020).

The latest data on financial positions from the DfE at the school-level shows that, in 2018/19, LA-maintained secondary schools were particularly likely to have a deficit. Almost three in every ten LA-maintained secondary schools had a deficit. Many of these deficits were large relative to income, with over half of these above five per cent of the school’s annual income. However, estimates for academy and LA-maintained schools are not directly comparable. The figures for academies are approximate, they operate different financial years and are generally part of a larger trust, where resources can be more easily moved between schools to cover deficits. See the Appendix for a fuller explanation.

There are also a significant number of schools, across all school types, with small positive cash reserves who may not have the resilience to meet significant increases in expenditures through current revenue balances. This indicates that there is a sizeable proportion of schools who may not have been able to meet the unexpected costs of Covid-19 through existing balances.

Percentage of schools by size of revenue balance and type, 2018/19



Source: School Financial Benchmarking

Section 2: To what extent were schools in a position to meet unexpected costs before Covid-19?

There are many reasons why schools might be in deficit

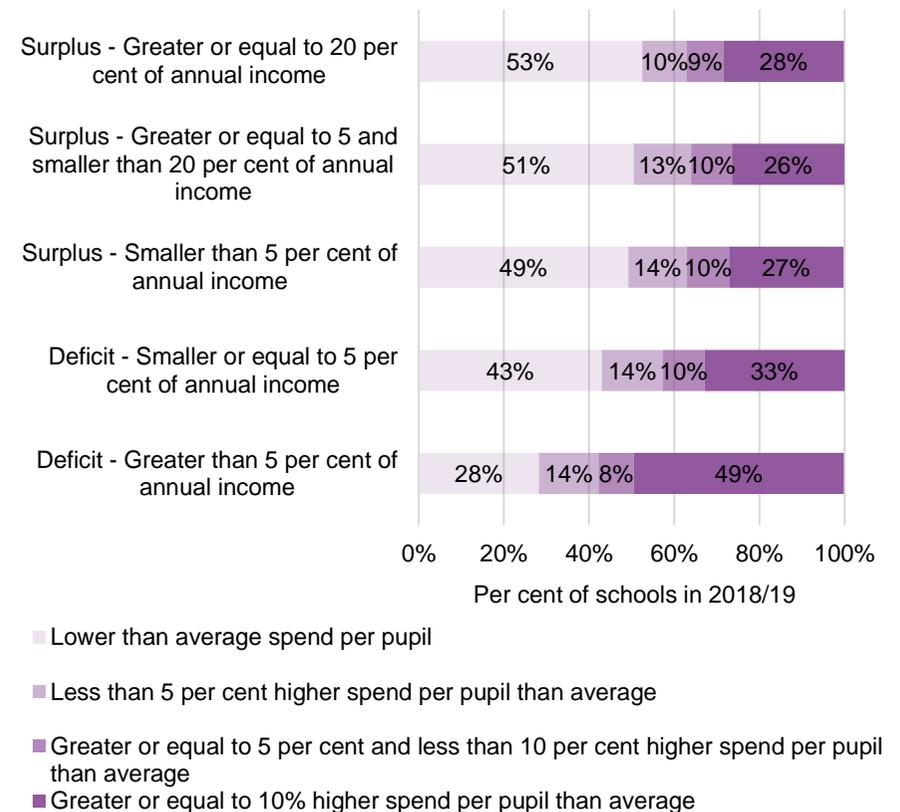
Can spending patterns explain differences in financial positions across schools?

We compare spending per pupil, across schools with different financial positions, to the average spending per pupil of schools in the same phase (primary or secondary), type (LA-maintained or academy) and with similar proportions of disadvantaged pupils on roll. This is to compare average spending per pupil between schools who are facing similar circumstances. Our analysis identifies that schools with large deficits are more likely to spend more per pupil than the average of similar schools. However, there is also a sizeable number of schools in deficit whose spending is lower than the average of similar schools.

Further, while a detailed investigation of the reasons for why schools are in deficit is outside the scope of the current report, our research identifies that many other key school characteristics, such as region and disadvantage, are not systematically related to whether or not a school is in deficit. These findings suggest that there are many reasons why a school might be in deficit (and in turn, not in a position to readily meet the unexpected costs of Covid-19).

It should be noted that schools with surpluses do not necessarily have funds which are 'available' to spend. For example, school reserves may already be committed to meet capital investments or maintenance. Indeed, in 2017, the National Audit Office estimated that it would cost £6.7 billion to return all school buildings to a satisfactory or better condition (NAO, 2017).

Spend per pupil compared to average of similar schools by financial position, 2018/19



Source: School Financial Benchmarking

Section 2: To what extent were schools in a position to meet unexpected costs before Covid-19?

While the three-year funding settlement may seem large, there are other considerations

In August 2019, the Government announced a three-year funding settlement for schools committing an additional £2.6 billion in 2020/21, a further £2.2 billion in 2021/22 (representing a total increase of £4.8 billion on 2019/20) and £2.3 billion in 2022/23 (representing a total increase of £7.1 billion on 2019/20) (DfE, 2019c). This funding settlement is substantial compared to funding increases seen over the last decade and it has been argued that it is sufficient to help schools cope with meeting the additional costs of the pandemic (Dickens, 2020). However, there are a number of considerations and other potential costs that schools face, which mean that the funding increase is unlikely to be sufficient to cover the costs resulting from Covid-19:

- **Pupil numbers**

Overall, pupil numbers are set to increase by one per cent between 2019/20 and 2020/21 (DfE, 2020j). Increases in pupil numbers are concentrated in secondary schools where per pupil expenditure is highest. Conversely, pupil numbers at the primary-level are forecast to decrease. This may increase funding pressures in under-subscribed primaries as funding is allocated on a per-pupil basis.

- **Teacher salaries**

On average, teacher salaries increased by 3.1 per cent between 2019/20 and 2020/21, with the largest increases for newly qualified teachers (NQTs) at 5.5 per cent (DfE, 2020o). As more deprived schools are most likely to employ NQTs (Allen and Sims,

2018), the costs of increasing teacher salaries are likely to be highest for the most deprived schools.

- **Other inflationary pressures**

Non-teaching staff and other non-staff costs are projected to have increased since last year (See Appendix).

- **Timing**

A key consideration for schools will be the funding that is currently available to spend.

- **Distribution**

Finally, not all schools are set to benefit equally from funding increases. This is discussed further overleaf.

At the November 2020 Spending Review, the Government signalled its intention to freeze teacher salaries for the 2021/22 academic year (HM Treasury, 2020b), as well as delaying their commitment to raise teacher starting salaries to £30,000 by one year to 2023/24 (Whittaker, 2020). As school leaders no longer need to cover teacher salary increases in 2021/22, they will have more resources available to meet the costs of Covid-19.

However, this will not help schools who are facing resource pressures now. Schools are currently incurring significant Covid-19 related costs which, without additional support this financial year, may mean that large numbers end up in a deficit position or increase the size of their existing deficits by the end of the year. Further, as with the current financial year, not all schools are set to benefit equally from future funding increases.

Section 2: To what extent were schools in a position to meet unexpected costs before Covid-19?

Not all schools will be able to meet the increased costs of Covid-19 through recent funding increases

Not all schools stand to benefit equally from funding increases. This July, the Government continued its commitment to ‘levelling up’ school funding by announcing that each secondary school would receive a minimum of £5,150 per pupil and each primary a minimum of £4,000 per pupil under the NFF from 2021/22; up from £5,000 and £3,750 respectively in 2020/21 (DfE, 2020i).

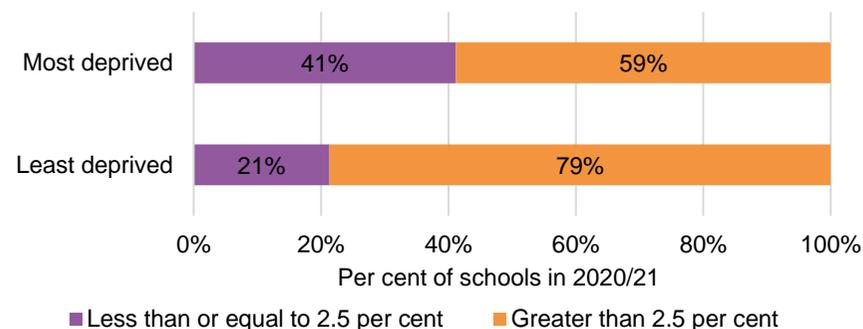
The schools which stand to experience the largest increases in funding from ‘levelling up’ are those currently receiving the lowest levels of funding per pupil. As more deprived schools already receive higher levels of funding per pupil than other schools to reflect the increased challenges they face, they are likely to experience the smallest increases in funding as a result of levelling-up.

The NFF is currently ‘soft’ i.e. funding does not go straight from the Government to schools. Currently, while DfE outlines notional funding allocations, each local authority still has the freedom to choose whether to use the Government’s NFF allocations or implement their own local funding formula.

Nevertheless, notional NFF allocations are still informative about the size of the funding increases which different types of schools are likely to be receiving. Since the implementation of the NFF, two-thirds of local authorities have ‘moved aspects’ of their funding formulae towards the NFF while approximately two in every five are using the NFF allocations to fund schools in their area (DfE, 2020p).

On average, we estimate that the cost to schools of increasing teacher salaries and other inflationary pressures (before the additional costs of Covid-19) in 2020/21 was 2.7 per cent (see Appendix for discussion). In comparison, our analysis of notional funding increases suggests that approximately one in every four schools had notional funding increases below 2.5 per cent per pupil. Assuming schools receive these notional funding increases, this suggests approximately a quarter of schools could receive less income than they need to fund their average increased teacher salary/other inflationary costs. The consequence is that funding increases may not be sufficient to cover other increased costs due to Covid-19. More deprived schools are twice as likely to find themselves in this situation.

Increase in NFF per pupil in the most and least deprived schools, 2019/20-2020/21



Source: DfE School NFF Allocations

Section 2: To what extent were schools in a position to meet unexpected costs before Covid-19?

There is a group of schools who are particularly at risk of financial hardship due to Covid-19

Schools with deficits in 2018/19 were no more likely than schools with surpluses to receive a notional funding increase greater than 2.5 per cent. Together with our analysis of school revenue balances, this implies that there is a group of schools who are particularly susceptible to the financial impact of the pandemic. Our analysis identifies a group of around 350 schools with a deficit and 1,150 schools with a small surplus who, based on per pupil notional funding increases, are particularly at risk of not meeting the increased costs of Covid-19 (see Appendix for further details). These schools are disproportionately likely to be deprived.

However, even where schools have benefited from larger funding increases of more than 2.5 per cent, they still may not be able to meet the additional costs of Covid-19 from these increases. For example, relatively few schools would be able to meet a five per cent increase in costs through increases in funding, once teacher salary increases and inflation in 2020/21 have been accounted for (only 11 per cent of schools are set to experience increases in funding of over 7.5 per cent in the coming year).

Further, while our analysis has focused on notional changes in per pupil funding, it is worth noting that changes in pupil numbers will also affect schools' ability to meet the unexpected costs of the pandemic. Schools experiencing a fall in pupil numbers will be less able to meet the additional costs of Covid-19 from their existing budgets.

The next section discusses to what extent the costs of Covid-19 will be met from the additional support which has been provided since the

pandemic.

Summary

- A substantial number of schools started the pandemic with either negative or small positive cash reserves. These schools will be less able to absorb the unexpected additional costs of Covid-19.
- LA-maintained secondary schools had a higher likelihood of having negative cash reserves.
- Deprived schools have generally received the smallest recent increases in funding as a result of the Government's levelling-up policy. Our previous Covid-19 research identified that these schools face the most substantial task in supporting their pupils to catch-up (Sharp *et al.*, 2020).
- Our analysis identifies a group of 1,500 schools who are particularly at risk from the financial impact of the pandemic. These are the schools which either had small positive or negative cash reserves before the pandemic and whose costs are likely to exceed any increase in income received.

Section 3: Has additional funding for Covid-19 been sufficient?

The exceptional costs scheme offered last academic year was limited

On 20 March 2020, schools closed their gates to all pupils apart from vulnerable pupils and the children of keyworkers. Between June and July, the Government asked primary schools to open to selected year groups (Nursery, Reception, Year 1 and Year 6) and secondary schools to invite pupils in Years 10 and 12 to attend on a rota, alongside vulnerable pupils and the children of keyworkers.

The Education and Skills Funding Agency (ESFA), an agency of the DfE, launched the *exceptional costs associated with coronavirus* scheme in April to provide additional financial support to schools for the costs they faced between March and June 2020 (DfE, 2020m). The scheme only covered specific types of expenditure and was open to schools that were either expecting to run an in-year deficit – that is, for current year expenditure to be larger than income – or with an existing overall deficit. The amount which schools could apply for was capped based on pupil numbers, with the cap ranging from £25,000 for schools with 250 pupils or fewer to £75,000 for schools with over 1,000 pupils.

The core scheme covered three types of additional funding:

- premises costs for keeping schools open during the Easter and/or summer half term holidays
- support for providing free schools meals for eligible children not attending school; and
- additional cleaning costs due to confirmed or suspected coronavirus cases in the school.

The criteria of the core scheme, as outlined above, limited what the scheme could be used to fund. For example, while all schools which were partially open were required to undertake additional cleaning due to Covid-19 as per government guidance (DfE, 2020b), the scheme only provided additional funding where there was a confirmed or suspected Covid-19 case in the school.

Schools facing other ‘extraordinary costs’ to deliver appropriate support to their pupils over the summer term (e.g. for the costs of PPE) were also able to register the details of these claims through the application process.

Our analysis focuses on the totality of claims made by mainstream schools by July 2020. At the time of writing, most schools have been paid for the costs incurred through the core scheme. Among those schools who applied for other ‘extraordinary’ costs, it is not clear how many of these schools have either been informed of the outcome of their claim and (if applicable) have been paid for any of their ‘extraordinary’ costs. This is significant as it has implications for the financial planning of schools whose claims have not yet been assessed.

Section 3: Has additional funding for Covid-19 been sufficient?

Three in every five mainstream schools applied to the exceptional costs scheme

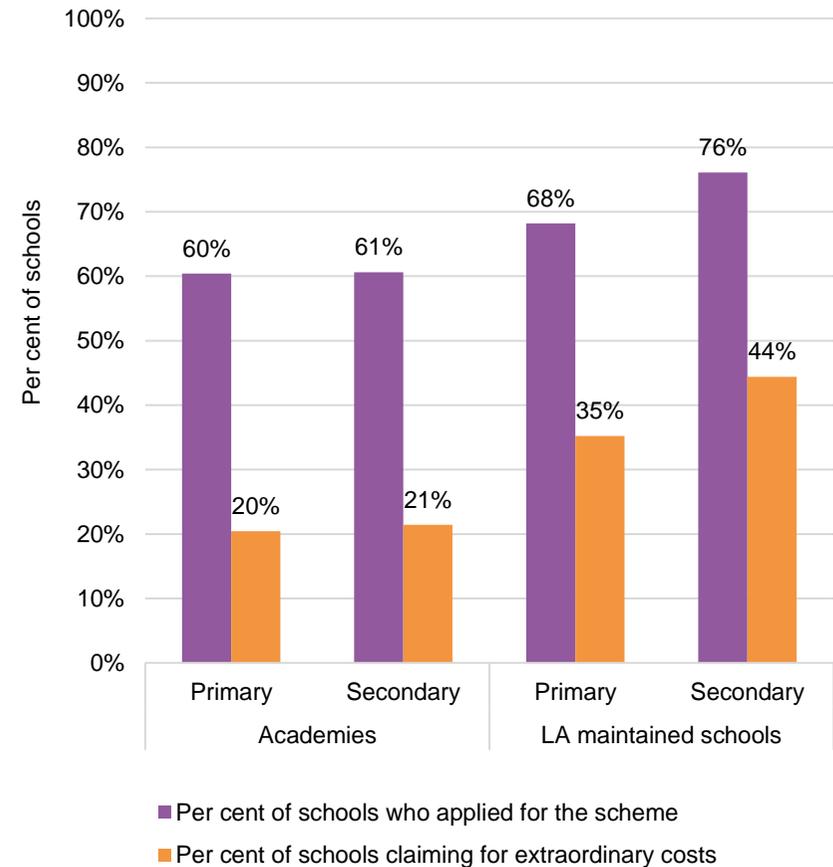
Despite the fact that the *exceptional costs* scheme was targeted, over three in every five mainstream schools (65 per cent) applied for funding from the scheme. Given that 48 per cent of schools had an in-year or overall deficit in 2018/19, this finding suggests that, based on schools' own perceptions, their financial position had worsened as a result of Covid-19.

Further, among the schools which applied for the exceptional costs scheme, almost half also applied for funding to cover their 'extraordinary' costs. This provides additional evidence to demonstrate that schools faced a wider range of additional costs due to Covid-19 than allowed for under the ESFA scheme.

LA-maintained schools were more likely to apply to the scheme than academies, particularly secondary LA-maintained schools. This is perhaps unsurprising given that nearly 30 per cent of these schools were running a deficit in 2018/19, prior to the start of the Covid-19 pandemic. It is less clear why LA-maintained primary schools were more likely to apply than academies. Further investigation is required to establish whether this reflects a meaningful difference in the practices of LA-maintained schools and academies during the pandemic.

Schools with an existing deficit were the most likely to apply to the scheme (82 per cent). Nonetheless, our analysis finds that over half of schools with surpluses over 20 per cent of annual income in 2018/19 also applied for funding. This demonstrates that the criteria for applying to the scheme did not discriminate much between schools.

Schools applying for exceptional Covid-19 funding



Source: Education and Skills Funding Agency

Section 3: Has additional funding for Covid-19 been sufficient?

Schools in London and other urban areas were more likely to apply for support

There was a wide variation in the extent to which schools from different areas applied for the scheme. While less than a third of schools applied in areas such as Broxbourne and mid-Suffolk, practically every school applied in Knowsley and Brighton and Hove. In general, schools in London and urban local authorities were more likely to apply for support. These schools also claimed for larger amounts of support, on average, than other schools. However, this may be a reflection of regional differences in costs and school size.

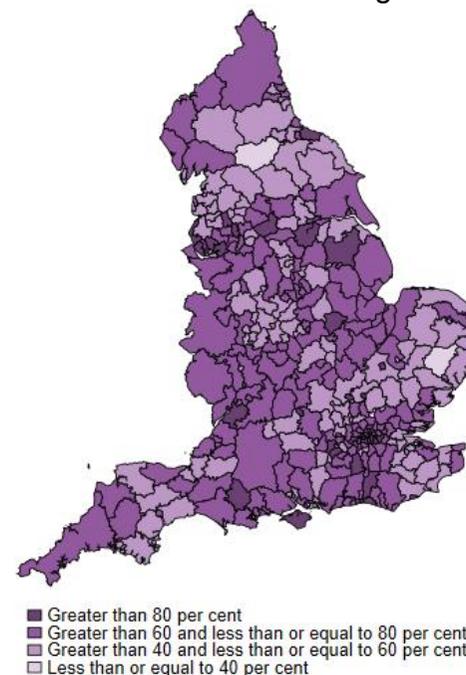
It is not clear whether this relationship is driven by Covid-19. If London is excluded from the data, there is no correlation between the share of scheme applications and the incidence of Covid-19 between March and July 2020.

While primary schools claimed £7,800 on average, there was wide variation between schools. The quarter of primary schools which claimed the lowest amounts claimed less than £2,000, while the quarter that claimed the largest sums claimed more than £9,700. The pattern is similar for secondary schools which claimed £23,900 on average, with a quarter claiming less than £7,400 and a quarter claiming more than £31,200. This widespread variation in the costs claimed by schools suggests some schools' finances have been impacted much more than others, although some of this can be explained by differences in school size.

While there was no systematic relationship between school deprivation and the extent to which schools applied for support, more deprived schools claimed significantly more, on average, than their

less deprived counterparts. However, this pattern is largely explained by differences in the amounts claimed for providing free school meals to pupils learning remotely. Given that more deprived schools (by definition) have more of these pupils, it is not surprising that their average costs for providing these meals were higher.

Share of schools in each local authority district who applied for Covid-19 funding



Source: ESFA and DfE Find information About Schools

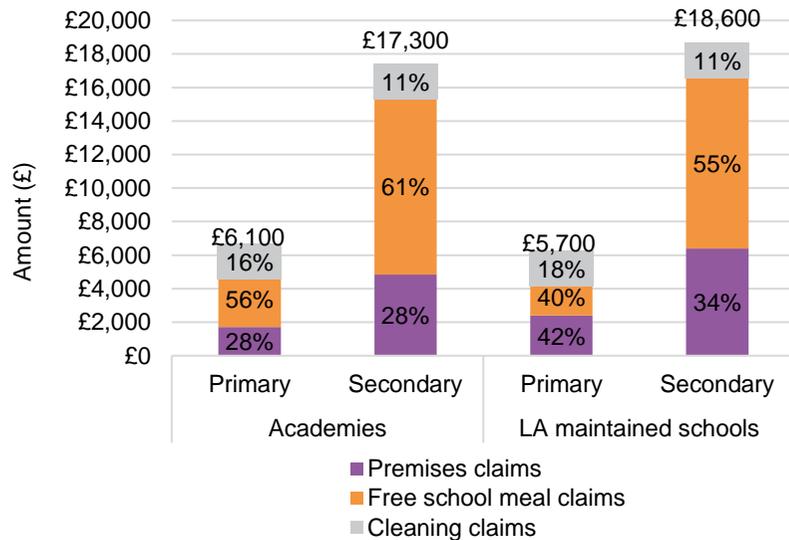
Section 3: Has additional funding for Covid-19 been sufficient?

The largest costs which schools applied for from the core scheme were for free school meals

Among schools who applied for the core scheme, the bulk of the costs claimed were for providing free school meals to pupils who were not attending school. These costs were much higher, in relative terms, for secondaries than primaries. The costs of keeping premises open during the Easter and/or summer half term holidays tended to be the next largest, followed by the costs of cleaning in the event of a suspected or confirmed case of Covid-19. It is worth highlighting that this pattern is likely to reflect the coverage of the scheme rather than the 'true' costs of Covid-19.

There are a number of reasons to believe that the scheme did not go far enough to cover schools' costs incurred in the 2019/20 academic year. Where schools also claimed for 'extraordinary costs', these were, on average, as substantial as the costs applied for in the core scheme at £15,800 for secondary schools and £4,800 for primary schools. As mentioned, at the time of writing, these costs have not all been assessed and, where applicable, paid out to all schools. Schools were also unable to claim for the costs of lost self-generated income (see discussion in Section 1 for further details).

Schools applying for core exceptional Covid-19 funding



Source: Education and Skills Funding Agency

Further, NAHT estimate that the total average additional cost to a school in order to allow pupils to return to school (between March and September) was £9,990 (NAHT, 2020a).

Conversely, schools may have saved some of their regular costs over the summer term because they had fewer pupils than usual attending at that time. However, any savings are likely to be limited as schools still needed to pay staff, which is by far their largest cost. As most schools remained open, any reduction in their costs, such as utility bills, is likely to have been relatively small.

In summary, the support which schools received last academic year would have been insufficient to cover the scale of increased costs and most schools would have had to meet a portion of these costs from existing budgets. With the exception of the *Covid workforce fund* (see discussion overleaf), the Government has not provided schools with any additional funding to meet the costs of Covid-19 for the current academic year (HM Treasury, 2020b).

Section 3: Has additional funding for Covid-19 been sufficient?

While the new Covid workforce fund is welcome, it is unlikely to ease pressures on school finances

The DfE have just announced a new *Covid workforce fund* to cover the costs of high levels of staff absence over a minimum threshold for November and December (DfE, 2020k)². The conditions for accessing support from the scheme are stringent. It is expected that schools first take a number of steps to manage staff absences using their existing staff and resources. When applying to the scheme, schools will need to certify that they have first tried these appropriate staffing mitigations and show that the support is necessary for keeping their school open.

In addition, the scheme will also only be available to mainstream schools who meet the following criteria:

- schools whose reserves are less than four per cent of their annual income; and
- schools who are experiencing a ‘short-term’ teacher absence rate at or above 20 per cent, and/or a lower ‘long-term’ teacher absence rate at or above ten per cent.

While the Government has not yet clarified how a ‘short-term’ or ‘long-term’ absence rate will be defined, these criteria are likely to significantly restrict the share of schools who are able to apply for support from the scheme. According to Teacher Tapp, as of the 17th November, Yorkshire and the North East (11 per cent) was the only region where the share of teachers isolating at home for Covid-19

related reasons was greater than ten per cent, while the share of teachers isolating at home across all other regions ranged between six and eight per cent (Teacher Tapp, 2020). This suggests that, while many schools may be having to fund additional supply teacher costs, the scheme’s absence criteria are likely to be too restrictive for them to be provided with any support.

The scheme will also not provide any support to schools who experienced high absence rates before the start of November. This is despite the fact that teacher absence related to Covid-19 has been affecting schools since the beginning of the autumn term. For example, according to Teacher Tapp, the absence rate in the North West peaked in mid-October at nine per cent (Teacher Tapp, 2020).

Even where schools are able to access the scheme, it is not yet clear to what extent it will cover schools’ supply staff costs. Furthermore, as highlighted earlier in the report, increased supply staff costs are only one of the many additional financial pressures which schools are currently facing due to Covid-19. While the *Covid workforce fund* provides welcome support for schools towards meeting the additional costs of Covid-19, the scheme’s current eligibility criteria and coverage suggest that it will not go far towards easing the current resource pressures on schools.

² At the time of writing, the full detail of the scheme has not been disclosed.

The analysis below is based on the information which was available about the scheme on the 27 November 2020.

Section 3: Has additional funding for Covid-19 been sufficient?

The current catch-up support is unlikely to reach all the pupils who need it

In July, teachers estimated that over two-fifths of their pupils (44 per cent) were in need of intensive catch-up support over and above normal expectations at that time of year (Sharp *et al.*, 2020). Deprived schools face the most substantial task in supporting their pupils to catch up with teachers in the most deprived schools reporting that 57 per cent of their pupils were in need of intensive catch-up support compared to 32 per cent in the least deprived schools, a difference of 25 percentage points.

In response to the pandemic, the Government announced all mainstream schools would receive a universal, one-off payment of £80 for every pupil as part of the £650 million catch-up premium (DfE, 2020e). This premium is intended to ensure that every school receives support to help their pupils make up for lost teaching time. In addition to this universal payment, the Government also announced schools could access extra targeted support for disadvantaged and vulnerable pupils through the £350 million National Tutoring Program (NTP).

The NTP currently has two different components in the 5-16 age range. The Academic Mentors component provides mentors who will be based in schools in the most disadvantaged areas. Schools will be expected to contribute between 15-20 per cent of the cost of these mentors. The Tuition Partners (TP) component allows schools to purchase a 15-hour block of small group tuition in one subject subsidised to 25 per cent of cost (NTP, 2020).

While schools are able to use catch-up premium funding to cover their subsidised NTP costs, the scale of resource pressures on schools

(which senior leaders may be using the catch-up premium to fund) may mean that some schools are unable to afford to subsidise NTP support for their pupils.

While there is extensive evidence on the positive impact of tutoring on helping pupils to increase their attainment (EEF, 2020), there are currently only 250,000 places available through the TP scheme. This is only sufficient to provide tutoring to less than one in every five pupils known to be eligible for free school meals in England (DfE, 2020n). Currently, the NTP guidance states that: ‘caps may be introduced to ensure disadvantaged pupils in as many schools as possible receive support’. Given that pupils in the most deprived schools have been disproportionately impacted by Covid-19, capping the number of places per school to maximise the number of schools who receive support may mean that some of the pupils in most need will miss out.

This suggests that the current scale of NTP support is unlikely to go far enough in supporting curriculum catch-up among deprived pupils.

Section 3: Has additional funding for Covid-19 been sufficient?

Access to technology remains a significant barrier to schools supporting their pupils' learning

In July, we asked senior leaders about how they intended to use the catch-up premium. While most senior leaders reported that they were planning to use the funding for academic catch-up or well-being support, a significant number of senior leaders (20 per cent) reported planning to use the catch-up support to improve pupils' access to technology (Sharp *et al.*, 2020). This is a reflection of the high share of pupils who had limited or no IT access in July: senior leaders reported that about a quarter (28 per cent) of pupils had limited access to IT at home.

The Government has been providing schools with free laptops, tablets and 4G routers to provide IT access to disadvantaged pupils and vulnerable children (DfE, 2020h). At the time of our survey in July, the Government had provided 220,000 laptops and tablets and 50,000 4G routers to disadvantaged and vulnerable children. Since then, the Government has provided an additional 340,000 devices to schools (DfE, 2020d).

However, despite this support, access to IT remains a significant issue. A recent survey from Teach First found that the vast majority of schools (84 per cent) with the poorest pupils still do not have enough devices and internet access to ensure all self-isolating pupils can keep learning (Teach First, 2020). This is a particularly pressing issue in light of the large proportion of pupils currently learning remotely. The latest estimates, based on the third week of November, are that over 800,000 pupils in state-funded schools were not attending school for COVID-19 related reasons (DfE, 2020c). Given that pupils with poor

access to IT were less likely to be engaged in remote learning (Lucas *et al.*, 2020), this suggests that those pupils, whose schools have not been able to provide IT access from their own resources or via the Government, are at risk of falling further behind. Pupils in the most deprived schools, who are most likely to have already fallen behind in their curriculum learning, are at the greatest risk of losing out.

Summary

- *The exceptional costs coronavirus* scheme was very limited in what costs it allowed schools to re-claim.
- Applications to the scheme suggest there is wide-variation in the extent to which different schools have been impacted by additional costs.
- While the *Covid workforce fund* provides welcome support for schools in helping to meet the costs of Covid-19, the scheme's current eligibility criteria and coverage suggest that it will not go far towards easing the current resource pressures on schools.
- The current catch-up support is unlikely to meet the scale of curriculum learning loss in many schools.

Conclusions

We find that existing and additional funding will be insufficient to cover the additional costs of Covid-19, at least for a number of at-risk schools.

While it is key that public money is spent effectively, there is a risk that these schools may divert resources which could be used for teaching and catch-up (e.g. to ensure there is suitable IT access for their pupils), or may place additional pressures on their workforce to meet these needs. Further, additional resource pressures may also be increasing the burden on school staff. Although teacher supply pressures are less intense this year, this could create longer-term retention challenges.

Our analysis distinguishes three key risk factors which increase the likelihood that a school may not be able to withstand the additional costs of the pandemic. A school may be affected by more than one of these risk factors:

- **Disadvantage**

The most deprived schools face the most significant challenges in supporting pupils to catch-up. Pupils within these schools are more likely to lack access to the technology required to benefit from remote/blended learning and catch-up support. Further, for almost two in every five of these schools, recent notional funding increases are only just sufficient to meet the costs of increased teacher salaries and other inflationary pressures in 2020/21. Therefore, any additional costs such as those incurred by Covid-19 will have to be met by using reserves or by making budget cuts.

- **Schools with either a deficit or a small surplus before the pandemic, who receive small recent notional increases in**

funding These schools will face significant challenges in meeting even small levels of unexpected Covid-19 costs.

- **Urban location**

Our analyses show that schools in urban areas were more likely to have applied for support in the 2019/20 school year, which may reflect increased need. Further evidence is required to establish whether these patterns have continued during the 2020/21 academic year.

While our understanding of the scale and extent of additional funding needs will continue to develop as the evidence base improves, it is crucial that those schools which have been particularly impacted are given additional emergency support to ensure that all pupils, particularly those from disadvantaged backgrounds, have the opportunity to reach their potential.

Recommendations

1. While it is crucial that existing and additional money is spent effectively, emergency support is needed to help some schools meet the costs of Covid-19, particularly those deprived schools without the financial resilience to meet the costs of the pandemic from their existing budgets.
2. The Government should adopt a more progressive approach to NFF funding during this unprecedented time to assist the most deprived schools in providing the extra support needed to help their pupils recover lost curriculum learning.
3. As schools are currently not able to access sufficient catch-up support for all of their disadvantaged pupils, targeted funding should be increased as part of a longer-term programme of catch-up support.
4. Schools should be provided with additional in-kind and/or financial resources with a minimum level of IT devices and internet connectivity to ensure that all their pupils are able to access remote/blended learning and catch-up support. This could include sharing devices between pupils as the need arises.

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Appendix: Data sources and methodology

All of our analysis focuses on state-funded mainstream primary and secondary schools in England. Where schools are grouped by phase, all-through schools have been included with secondaries. All datasets have been cleaned to remove outliers and inconsistencies.

Information from DfE's Get Information About Schools (DfE, 2020g) and Find and Compare Schools (DfE, 2020f) in the autumn of 2020 was used to analyse our data by school characteristics (e.g. geography, disadvantage, school size). This information was linked to the other data sources using the school Unique Reference Number.

Schools' responses to Covid-19 surveys

About the survey

From 8 to 15 July 2020, NFER collected data via a survey sent to all 20,553 state-funded mainstream primary and secondary schools in England. We asked senior leaders (head teachers, principals, deputy head teachers and business managers) to complete the survey themselves and pass it on to up to nine teachers of different key stages (primary schools), or different subject areas (secondary schools). We received responses from 1,176 senior leaders and 1,782 teachers in 1,305 primary schools (including middle deemed primary) and 898 secondary schools (including middle deemed secondary and all-through schools), representing 7.6 per cent of the 17,169 primary schools and 26.5 per cent of the 3,384 secondary schools in England. We weighted the data to ensure that our findings are representative of mainstream schools in England, using the distribution of the achieved sample relative to the national population of school phase and FSM quintile. A few schools provided more than the requested number of responses, which was also addressed by weighting the data.

Analysis

This report presents estimates of the cost of additional staffing and resource needs among the 78 per cent of senior leaders who have concerns about the manageability of opening their schools under these circumstances (those who said it was 'somewhat manageable' or 'completely unmanageable')³. These have been calculated as annualised costs and, to put these requirements in context, presented as a share of expenditure in

³ It should be noted that there were a large number of senior leaders who were not able to provide a response to this question.

LA-maintained schools⁴. These comparisons are intended to be indicative and should be treated with caution, as there are substantial differences between schools which are not captured by estimates based on an ‘average school’.

There are number of reasons why the scale of these estimates may differ from the actual costs incurred by schools, as recorded by NAHT:

- These estimates represent the amount of additional staffing and resources senior leaders estimate they need, as opposed to what schools can actually afford.
- Some of these additional needs may have been met through existing government schemes, such as the DfE laptop scheme (DfE, 2020d).
- It is also worth noting that, while senior leaders were asked to provide the amount of additional staffing or financial resources they would need to minimise contact between individuals and maintain social distancing as recommended by DfE, some senior leaders may have reported needs which reflect their schools’ situation before Covid-19 (such as existing vacancies).
- Measurement of costs. Wording, timescale, coverage and units of costs presented differ between the NFER and NAHT surveys.

This report also presents findings from survey questions relating to catch-up activities, the *catch-up premium* and the NTP asked to senior leaders. All percentages are based on the number of people responding to the question, excluding non-responses (valid per cent). Please see Sharp *et al.*, (2020) for further details of the survey.

⁴ Our estimate for expenditure does not account for increases in schools’ teacher pension costs since September 2019. As schools have received separate additional funding to meet increases in pension costs, this does not affect the comparability between estimated proportions of average school expenditure and changes in school income.

NAHT survey data analysis

NAHT kindly provided us with de-identified data from the 2,047 responses which they received from school leaders in September and October 2020 (NAHT, 2020b). We restricted the sample to responses from mainstream primary and secondary schools in England. All estimates are rounded to the nearest £100.

To put these requirements in context, additional costs are presented as a share of the average income of a school over a five week period. Average income for 2018/19 was drawn from the school-financial benchmarking service, and estimated for 2020/21 based on the increase to the core schools budget (excluding funding increases for increased pension costs) between 2018/19 and 2020/21.

These results should be treated with caution as they may not be nationally representative and there is a wide range of uncertainty around central estimates. These comparisons are intended to be indicative, as there are substantial differences between schools which are not captured by estimates based on an 'average school'. Further, these estimates are only intended to provide a preliminary picture of the impact that Covid-19 has had on school finances in the 2020/21 academic year.

School revenue balances

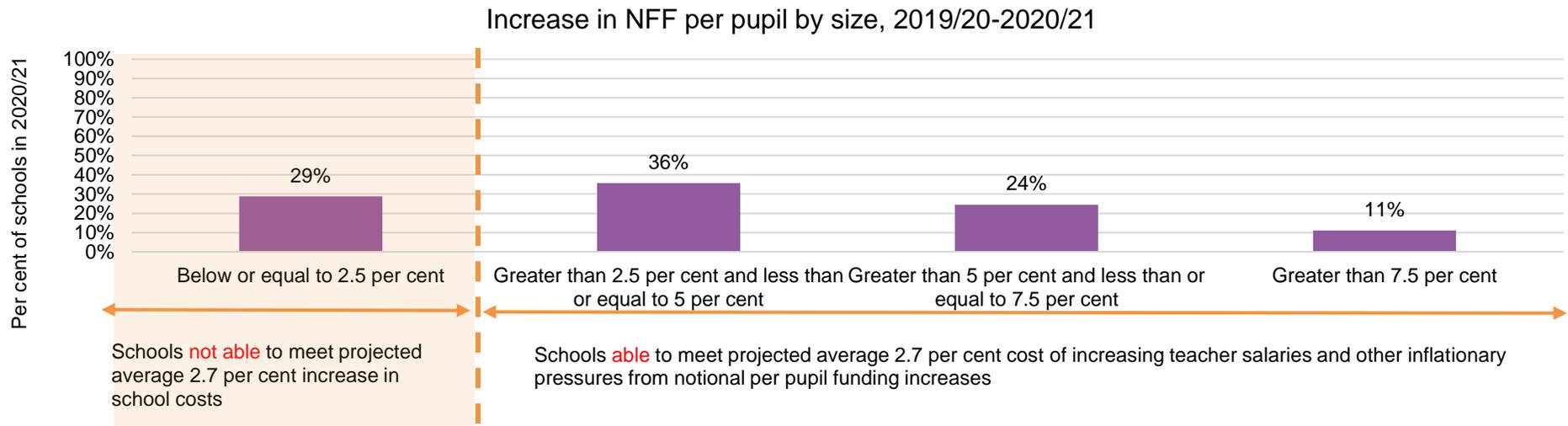
Our analysis of school revenue balances is based on revenue reserves and in-year balances in the latest available year (2018/19) from the Schools Financial Benchmarking Service (DfE, 2020I). While our analysis is helpful in providing an indication of the extent to which schools started the pandemic in a position to meet unexpected costs, our estimates for academies and LA-maintained schools are not directly comparable for a number of reasons:

1. Estimates for academies in School Trusts are estimates. This is because data for centralised services in School Trusts has been apportioned to individual schools by the DfE based on pupil numbers.
2. Schools Trusts are able to circulate funds between their academies. Given the current proportions of schools in deficit, grouping schools together will on average lead to an overall surplus at trust level, allowing School Trusts to target more funding towards schools which would otherwise be in deficits.
3. Academies in School Trusts have a different financial year (September to August) to LA-maintained schools (April to March).
4. The financial reporting arrangements for academies differ from LA-maintained schools.

We compare spending per pupil, across schools with different financial positions, to the average spending per pupil in similar schools. We first define the average of similar schools as the per pupil median expenditure of schools in the same free school meals quartile, school phase and type. Spending per pupil in each school is then compared against this average.

NFF Allocations

Our analysis of notional schools block NFF Allocations (DfE, 2018 and DfE, 2019a) is based on increases in per pupil funding between 2019/20 and 2020/21. Our analysis of NFF allocations is based on the population of open schools as of September 2020, rather than the population of schools at the time at which NFF allocations were made. The distribution of notional increases in NFF per pupil is presented below. It shows that just over a quarter of schools will not be able to meet the projected average increase in non-Covid-19 related school costs of 2.7 per cent in 2020/21⁵.



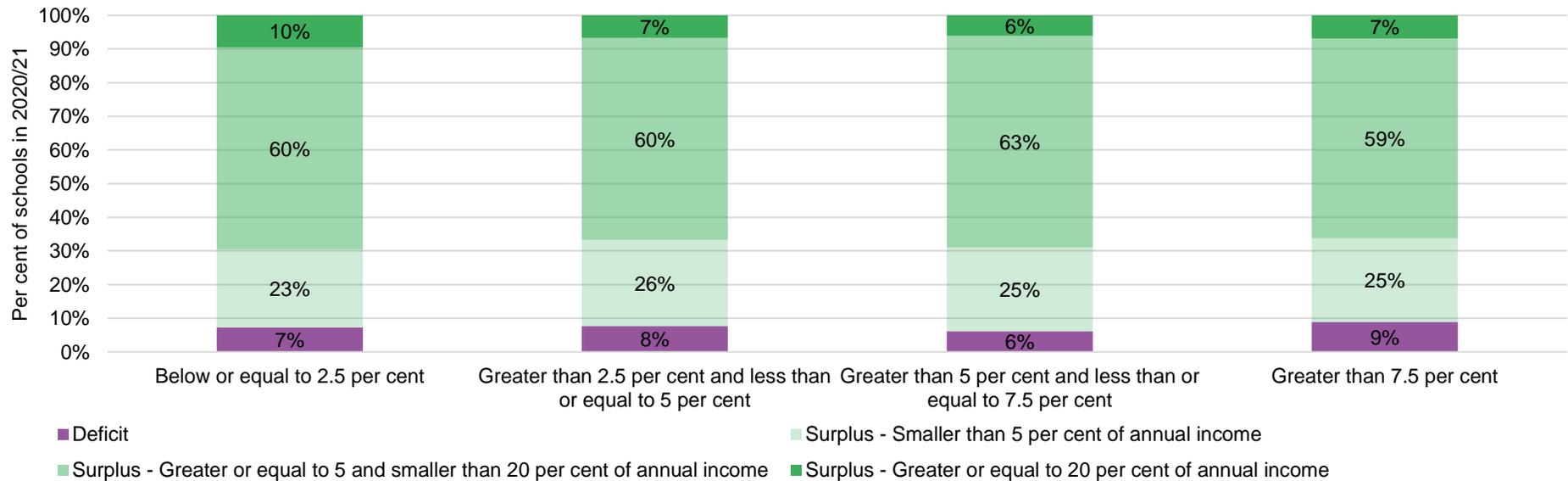
Source: DfE School NFF Allocations

⁵ This finding is robust to considering the change in pupil-led NFF funding per pupil in 2020/21 instead of total NFF funding per pupil in 2020/21.

To identify those schools who are particularly at risk of not meeting the increased costs of Covid-19, we then compare schools' financial positions before Covid-19 to their notional increase in per pupil funding.

We find that, among the schools receiving a notional NFF increase per pupil of below 2.5 per cent, seven per cent of these were running a deficit (around 350 schools) and 23 per cent with a small surplus (around 1,150 schools). Taking this together with their notional funding increase, these schools are particularly at risk of failing to meet the increased costs of Covid-19⁶. These schools are disproportionately likely to be deprived.

Increase in NFF per pupil by school financial position before Covid-19



Source: DfE School NFF Allocations and School Financial Benchmarking data

⁶ Note that these estimates are based on actual number of schools with both notional NFF allocations of below 2.5 per cent and either a small surplus or surplus. We have not extrapolated our estimates to schools with missing NFF allocations or revenue balances. Schools with missing values are mainly schools which have recently opened and are unlikely to be comparable.

Constructing a measure for the increase in school costs between 2019/20 and 2020/21

On average, we estimate that the average cost to schools of increasing teacher salaries and other inflationary pressures in 2020/21 was 2.7 per cent. To construct this estimate, we use the following assumptions for how average teaching staff costs, non-teaching costs, and all other costs are likely to change in 2020/21:

- Teaching staff costs were projected to increase by 3.1 per cent in 2020/21, reflecting average increases in teacher salaries based on average pay rises (DfE, 2020o)⁷.
- Non-teaching staff costs were projected to increase by 2.5 per cent in 2020/21 (DfE, 2019b).
- Schools' other costs were projected to increase by 2.0 per cent in 2020/21 based on inflationary projections (HM Treasury, 2020a)⁸.

We then constructed our overall estimate for how expenditure has changed in 2020/21 by weighting these projections for teaching staff costs, non-teaching staff costs and other costs by the shares which they represent in average schools' expenditure.

While our estimate for the costs to schools of increasing teacher salaries and other inflationary pressures in 2020/21 is an average, it is likely – if anything – to underestimate the share of schools who are unable to meet the costs of Covid-19 from their existing budgets. This is because deprived schools are disproportionately likely to have received a relatively small increase in notional NFF funding per pupil and, as previously highlighted to face a higher than average cost of increasing teacher salaries.

Analysis of ESFA exceptional costs scheme

Data on the *exceptional costs scheme* is based on Freedom of Information (FOI) data provided by ESFA covering school-level claims made by eligible mainstream schools and academies before the 21 July 2020. The scheme covered exceptional costs claimed by schools from March 2020

⁷ If teaching staff costs are instead projected to increase 2.75 per cent (the minimum uplift for all teacher and school leader pay in 2020/21), then our estimate for the average cost to schools of increasing teacher salaries and other inflationary pressures in 2020/21 is 2.5 per cent, rather than 2.7 per cent. This does not affect our conclusions.

⁸ If the Office for National Statistics (ONS) Consumer Price Index is used instead of the GDP deflator to measure inflation in schools' other costs (ONS, 2020a), then our estimate for the average cost to schools of increasing teacher salaries and other inflationary pressures in 2020/21 is 2.3 per cent, rather than 2.7 per cent. This does not affect our conclusions.

to the end of the summer term.

Our estimates for the share of schools applying to the scheme are based on the population of eligible schools who were open at any point in the 2019/20 academic year. All estimates are rounded to the nearest £100.

We investigate the relationship between scheme applications and Covid-19 incidence using ONS estimated Covid-19 death rates by travel to work area between March and June (ONS, 2020b). Once London is excluded from our analysis, we do not find any evidence for a relationship between Covid-19 incidence and scheme take-up.

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