



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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**Department for Education**

# Funding for disadvantaged pupils

# Summary

**1** The Department for Education (the Department) defines pupils as being disadvantaged if they are or have been eligible for means-tested free school meals or if they are or have been looked after by a local authority. Of the 7.0 million children aged 4–16 who are educated in publicly funded schools, 2.0 million (29%) come from disadvantaged backgrounds. Such pupils tend to perform poorly in public examinations relative to other pupils. As poor academic performance is associated with lower wages and higher unemployment in adulthood, this ‘attainment gap’ is a key mechanism for transmitting poverty from one generation to the next.

**2** The Department aims to improve the quality of education for all. However, it also aims to raise disadvantaged pupils’ attainment and reduce the gap between them and others. In 2011, the Department announced new funding for schools, the Pupil Premium, which specifically aims to improve outcomes for disadvantaged children.

**3** Worth £2.5 billion in 2014-15, the Pupil Premium is distributed to schools by the Department according to their number of disadvantaged pupils. The Department expects schools to use the funding to support disadvantaged pupils to achieve more but schools can decide how to spend it. Schools are held to account for their decisions through Ofsted inspections, published Pupil Premium statements and exam results. School autonomy makes variation in the use of the Pupil Premium and the outcomes it achieves inevitable, while at the same time making good oversight and effective dissemination of best practice essential.

**4** Besides Pupil Premium funding, the Department requires local authorities to use deprivation as a factor when allocating core funding to schools. In 2014-15, local authorities distributed £2.4 billion to schools on this basis. In total, in that year, the Department gave schools £41.5 billion of revenue funding for pupils aged 4 to 16.

**5** To help schools use the Pupil Premium effectively, the Department encourages school leaders and teachers to use evidence of what works. To increase the amount of evidence and encourage its use, the Department has provided a new research charity, the Education Endowment Foundation (EEF), with grants of £137 million to be spent over 15 years.

## Our report

**6** This report evaluates the Department's implementation of the Pupil Premium policy to date and how well schools use the funding. We have excluded from our analysis:

- the Service Premium, for supporting the children of armed forces personnel, whose needs differ from pupils' with socio-economically disadvantaged backgrounds; and
- the Early Years Pupil Premium, introduced this year for children aged 3 and 4.

**7** We have not audited specific actions by schools or local authorities. Our audit approach is in Appendix One and our evidence base is in Appendix Two.

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## Coverage of this report

<b>Part One:</b> Establishing the Pupil Premium	What is the attainment gap?
	What is the Pupil Premium?
	Do the Pupil Premium and other school funding follow assessed need?
	What is the system of accountability, support and oversight for the Pupil Premium?
<b>Part Two:</b> Schools' provision for disadvantaged pupils	Are schools supporting disadvantaged pupils effectively?
	Do schools use evidence to support best practice?
	Do accountability arrangements incentivise schools to support disadvantaged pupils effectively?
<b>Part Three:</b> Impact	Is the Pupil Premium improving disadvantaged pupils' attainment?
	Is the Pupil Premium achieving other impacts?

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## Key findings

### Allocating funding

#### **8 The Department distributes the Pupil Premium using a clear formula to achieve a specific purpose but identifying disadvantaged pupils is an issue.**

The Department gives schools a fixed sum for each disadvantaged pupil, in effect redistributing funding towards schools with more disadvantaged intakes. The Department has communicated clearly that the money is to reduce the attainment gap by raising the attainment of disadvantaged pupils. The current method for identifying individual disadvantaged pupils is good enough to find most but not all of them. The Department estimates that 11% of eligible pupils do not currently receive free school meals because their parents do not claim the entitlement and 75% of school leaders in our survey reported that some pupils from low-income backgrounds were ineligible. The introduction of Universal Infant Free School Meals and Universal Credit, a system which unifies benefits, may make it more difficult comprehensively and consistently to identify all disadvantaged pupils. The Department continues to monitor the former and is considering how to resolve issues arising from the latter (paragraphs 1.5 to 1.14).

#### **9 Other real-terms reductions in school funding mean the Pupil Premium has not always increased school budgets.**

Over the last four years, the Department has given £6.0 billion to schools under the Pupil Premium policy but reduced other school funding in real terms at the same time. As a result total per-pupil funding has increased in 55% of schools in real terms, but it has decreased in real terms in the remainder. Some schools with very disadvantaged intakes have less money per pupil now, in real terms, than in 2010, despite the extra funding provided by the Pupil Premium. We estimate that the per-pupil funding of 16% of the most disadvantaged secondary schools fell by more than 5% in real terms between 2010-11 and 2014-15 (paragraphs 1.25 to 1.27).<sup>1</sup>

#### **10 Some schools receive higher core funding to reflect deprivation but local arrangements vary widely and schools do not have to spend the money specifically to alleviate disadvantage.**

The Department distributes core funding to local authorities on the basis of an old formula that gives some parts of the country more than others. In 2015-16 it is providing an extra £390 million to the most underfunded parts of the country. Local authorities distribute funding to schools through formulae they determine themselves. In 2013-14, the Department restricted the number of variables local authorities could use in their formulae, which must include an adjustment for deprivation. However, the proportion of core funding schools receive from local authorities for disadvantaged pupils still varies substantially (from 2% to 20% between areas) and the Department does not require schools to give an account of how they use this money to support disadvantaged pupils (paragraphs 1.20 to 1.24).

<sup>1</sup> 'Most disadvantaged schools' – top quartile schools by percentage of pupils eligible for free school meals. This analysis is based on published Consistent Financial Reporting data. The available data covers maintained schools only and includes all grant funding received by secondary schools with sixth forms.

## Spending the Pupil Premium

**11 Introducing the Pupil Premium has increased school leaders' focus on improving outcomes for disadvantaged children.** Of school leaders, 57% said they targeted support at disadvantaged pupils before the creation of the Pupil Premium, compared with 94% now (paragraph 3.9).

**12 Many schools spend some of the Pupil Premium on approaches that may not be cost-effective, based on current evidence, reducing the funding's impact.** Most schools use some interventions that are effective under the right conditions. For example, 72% of schools provide individual tuition, which experts rate highly effective but relatively costly; 63% have sought to improve feedback between teachers and pupils, which is both effective and low-cost. However, 71% of schools employ extra teaching assistants to support disadvantaged pupils, a high-cost approach which will only improve results if schools learn to deploy these staff more effectively. We estimate that schools' spending on teaching assistants has increased by £430 million between 2011 and 2013 alone. Schools also use some effective, low-cost interventions too infrequently: just 25% are using peer-to-peer learning (paragraphs 2.6, 2.7 and 2.12).

**13 Schools make different choices about which pupils to target Pupil Premium activities on; this freedom brings benefits but there is a risk that some disadvantaged pupils miss out on the full benefit of the funding.**

- 47% of schools use the Pupil Premium to support pupils with special educational needs. This can be appropriate, but there is a risk the Pupil Premium replaces, rather than supplements, separate special educational needs funding (paragraph 2.5).
- 32% of schools do not provide additional support to disadvantaged pupils who are already identified as 'able' (meaning likely to meet minimum attainment targets). This is in spite of evidence that, without support, such pupils often fall behind equally able peers (paragraph 2.3).
- 77% of schools use some Pupil Premium for activities that are designed to support all pupils rather than just those who are disadvantaged. This can be cost-effective but there is a risk of diluting the funding's impact, particularly in the 15% of schools with fewer than 1 in 5 disadvantaged pupils that mainly use funding in this way (paragraph 2.4).

**14 Some schools in deprived areas struggle to compete for high-quality teachers, who are likely to have the biggest impact on reducing the consequences of disadvantage.** Of school leaders in deprived schools, 54% said attracting good teachers was a major barrier to improving pupils' performance, compared with just 33% of those in more affluent areas. In our survey, few schools (4%) reported using higher salaries to attract better teachers to support disadvantaged pupils (paragraphs 2.8 to 2.11).

## Increasing schools' use of evidence

**15 The Department has made a major contribution to strengthening the evidence base for what works to improve disadvantaged pupils' progress.** The Department has invested £137 million over 15 years in the EEF to develop and spread evidence of what works. Since 2011, the EEF has summarised and published existing best practice in its Teaching and Learning toolkit, while commissioning a number of new research projects. Of these, 36 have been published so far. The Department, the EEF and other key stakeholders agree that many gaps in the evidence base remain and this will continue to be the case for the foreseeable future (paragraphs 1.16, 2.13 and 2.15 to 2.17).

**16 Schools are increasingly using the EEF's outputs.** Some 64% of school leaders now use the Teaching and Learning toolkit to inform decisions about Pupil Premium funding, up from 36% who used research in 2012. Most schools find the toolkit useful but some told us it needs to be more specific about which interventions should be used in which circumstances. Neither the Department nor the EEF knows the relative weight that school leaders and teachers place on EEF outputs compared to other sources of information, such as past experience and word of mouth (paragraphs 2.14 and 2.15).

## Oversight and Accountability

**17 Parents of disadvantaged pupils are unlikely to hold a school to account for the use of the Pupil Premium – something that the Department has sought to encourage – but governors typically do challenge school leaders on its use.** Schools must publish annual statements of how they use the Pupil Premium but we estimate only one-third fully complied with reporting requirements in 2015 and only 24% of parents in lower socio-economic groups, the principal intended audience, had heard of the policy. School leaders have identified that parental engagement is a significant barrier to improvement for these pupils. In the first year of the Pupil Premium, Ofsted was concerned that governing bodies were insufficiently focused on its use. Inspection reports indicate subsequent improvement, with governors' oversight assessed positively in two-thirds of inspections between September and December 2014 and negatively in only one-tenth (paragraphs 2.22 to 2.26).

**18 Ofsted inspections incentivise schools to focus on disadvantaged pupils but can be infrequent, and the Department's main intervention to address poor performance is weak.**

Ofsted, the independent inspector of schools, reviews the progress of disadvantaged pupils during each inspection. Our review found that Ofsted identified poor provision for disadvantaged pupils in 8% of primary schools and 21% of secondary schools between September and December 2014. Around 80% of school leaders see inspection as an effective mechanism to hold them to account for disadvantaged pupils' performance. But Ofsted does not routinely schedule inspections on the basis of these pupils' performance and long, potentially indefinite, intervals can occur between inspections. Ofsted recommends that ineffective schools commission an external Pupil Premium review, the Department's main intervention to address problems at the level of the individual school. But this is optional and approved reviewers are in short supply. Until February 2015, only 7 of 214 approved reviewers were in the South-West of England. The Department is addressing the shortage. There are currently 526 reviewers nationwide, including 34 in the South-West (paragraphs 2.27 to 2.32).

**19 The Department reviews pupil outcomes but does not routinely monitor early-warning signs of success or failure.**

The Department uses attainment data to monitor how well schools are supporting disadvantaged pupils. It writes to schools where pupils are performing particularly well or poorly. However, pupil attainment lags behind schools' decisions about the Pupil Premium. Ofsted summary reports provide some insight into schools' decisions but the Department does not routinely monitor schools' Pupil Premium statements or the quality or contents of Pupil Premium reviews. Consequently, it does not fully understand how funding is being used, limiting its ability to share best practice or respond to risks on an informed basis (paragraphs 2.24, 2.28 to 2.31).

## Impact

**20 The attainment gap has narrowed slowly since 2011 but the gap remains wide and it will take time for the Pupil Premium's impact to become clear.**

Success in some schools indicates that the Pupil Premium has promise. However, the Department does not expect the full impact of funding to be felt until 2018 for primary schools and 2023 for secondary schools – the years, respectively, when eligible pupils will have been funded for their entire education. Changing exam standards make analysing the attainment gap difficult at this early stage. Between 2011 and 2014 the gap reduced by 4.7 percentage points in primary schools. In secondary schools, it reduced by 1.6 percentage points, although exam standards were measured differently in 2014. A clear trend has not yet been established and the gap remains wide – in 2014 some 63.5% of disadvantaged pupils failed to achieve five good GCSEs including English and Maths, compared with 36% of their peers (paragraphs 3.2 to 3.9).

**21 The Department has not yet been specific enough about how it will judge whether the Pupil Premium has succeeded.** As a matter of policy, the Department does not establish targets, however, in this context, it has not yet set out, either internally or externally, how it will assess whether the Pupil Premium has achieved a significant impact. To do so it will need to take into account factors affecting disadvantaged pupils' attainment that are outside schools' control. Beyond attainment, the Department will also need to assess whether disadvantaged pupils' destinations after school are improving, if improved results are reliably to lead to longer-term positive outcomes (paragraphs 1.7, 1.8, 3.10 and 3.11).

### **Conclusion on value for money**

**22** It will take time for the full impact of the Pupil Premium to be known. While the attainment gap has narrowed since 2011, it remains wide and, at this stage, the significance of the improvements is unclear. More time and further evaluation will be needed to establish whether the Department has achieved its goals. However, the early signs are that many schools, supported by the Department's investment in the EEF, are using the Pupil Premium to help disadvantaged pupils in useful ways. If these schools' early performance can be sustained and built upon, the Pupil Premium has the potential to bring about a significant improvement in outcomes for disadvantaged pupils and the value for money of school spending.

**23** The Department has already created a strong drive to improve support for disadvantaged pupils by targeting the Pupil Premium at schools on a rational basis; clearly communicating the funding's objective; investing in research and sharing best practice; and empowering teachers to try new things. However, the Department, working with others, has more to do to optimise value for money. Not all disadvantaged pupils currently attract funding. Some schools do not focus funding on disadvantaged pupils appropriately or use the most cost-effective interventions, and, in any event, the evidence base is still underdeveloped. Furthermore, the core school funding that the Pupil Premium supplements is not distributed on the basis of need. Most importantly, there is a risk that accountability and intervention mechanisms allow schools to waste money on ineffective activities for many years without effective challenge. As the impact of the Pupil Premium becomes clearer, the Department will need to review if it is investing the right amount in it, including whether spending more in this way could allow it to close the gap more quickly, generating wider savings for the taxpayer.



## **Recommendations**

- a The Department should develop its understanding of how schools are using the Pupil Premium and take further steps to reduce schools' use of ineffective, costly activities to support disadvantaged pupils, including by:**
- improving the dissemination and usage of best practice;
  - ensuring that all Pupil Premium reviews are conducted by approved reviewers and considering whether to make reviews mandatory; and
  - examining, with the EEF, whether and how to expand the evidence base more quickly.
- b As it sets core funding for schools in future, the Department should use a fairer formula so that pupils across England receive similar funding, related more closely to their needs and less affected by where they live.** It should work with local authorities to understand the impact of core funding allocated to schools on the basis of disadvantage and consider how schools could be held accountable for its use. It should also clarify instructions to schools about the total value of funding that ought to be available to disadvantaged pupils with special educational needs, and explore how it can identify disadvantaged pupils more effectively.
- c The Department should be more specific about how it will measure the Pupil Premium's impact, including by:**
- setting out as soon as possible the attainment metrics it will use and ensuring these continue to be measured in a comparable way until at least 2023; and
  - researching how other potential Pupil Premium impacts, such as the destinations of disadvantaged pupils and savings in terms of other public services, can be measured.