

# DOES ADDITIONAL FUNDING HELP URBAN SCHOOLS? AN EVALUATION USING BOUNDARY DISCONTINUITIES

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**Stephen Gibbons**

Department of Geography and  
Environment and Centre for Economic  
Performance, LSE

**Sandra McNally**

University of Surrey and Centre for  
Economic Performance, LSE

**Martina Viarengo**

Graduate Institute of International and  
Development Studies of Geneva  
and Centre for Economic Performance,  
LSE

## **Abstract**

This study exploits spatial anomalies in school funding policy in England to provide new evidence on the impact of resources on student achievement in urban areas. Anomalies arise because the funding allocated to Local Education Authorities (LEA) depends, through a funding formula, on the 'additional educational needs' of its population and prices in the district. However, the money each school receives from its LEA is not necessarily related to the school's own specific local conditions and constraints. This implies that neighbouring schools with similar intakes, operating in the same labour market, facing similar prices, but in different LEAs, can receive very different incomes. We find that these funding disparities give rise to sizeable differences in pupil attainment in national tests at the end of primary school, showing that school resources have an important role to play in improving educational attainment, especially for lower socio-economic groups. The design is geographical boundary discontinuity design which compares neighbouring schools, matched on a proxy for additional educational needs of its students (free school meal entitlement – FSM), in adjacent districts. The key identification requirement is one of conditional ignorability of the level of LEA grant, where conditioning is on geographical location of schools and their proportion of FSM children. (JEL: R0, I21, H52)

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E-mail: s.gibbons@lse.ac.uk (Gibbons); s.mcnelly@surrey.ac.uk (McNally);  
martina.viarengo@graduateinstitute.ch (Viarengo)