



Institute for
Fiscal Studies

School Funding Reform: Implementing a National Funding Formula

Luke Sibieta, Institute for Fiscal Studies

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Nuffield
Foundation



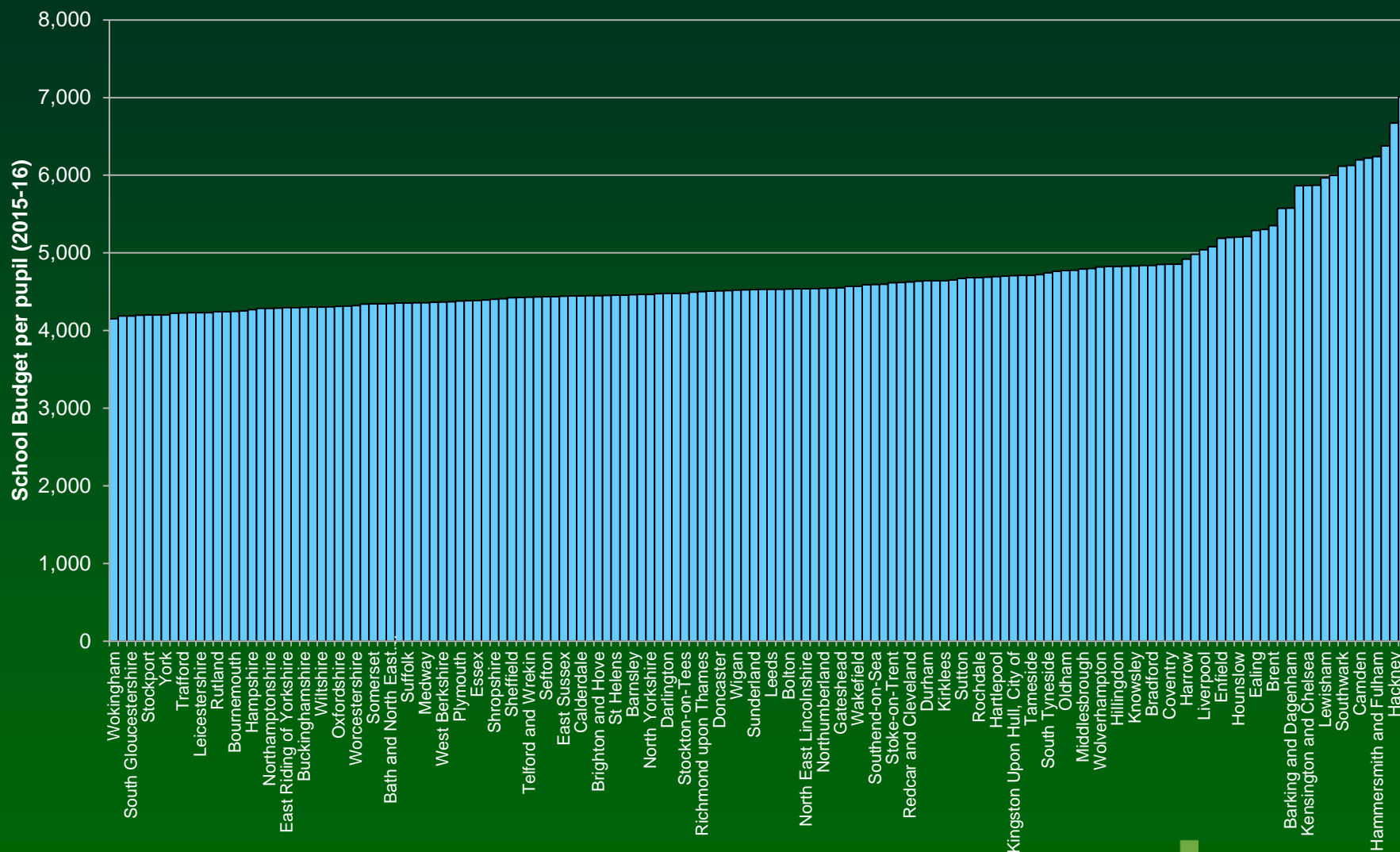
Introduction

- School spending in England protected in real-terms between 2015-16 and 2019-20
 - Implies real-terms cut of over 7% in spending per pupil
- Commitment to introduce a national funding formula for schools in England in 2017
- **Outline of talk**
 - Reasons driving differences in funding across schools
 - What the government is proposing
 - Likely effects and the critical choices

The current school funding system (and its problems)

- Central government allocates funds to local authorities, who in turn allocate funds to schools in their areas
- Results in wide variation in funding across schools and local authorities
 - Partly reflecting different characteristics of schools and areas, e.g. deprivation or cost of employing staff
- Schools with similar characteristics can receive different funding levels
 - a) Discrepancy between needs and funding at local authority level
 - b) Different priorities in local authority funding formulae

Wide variation in funding per pupil across LAs

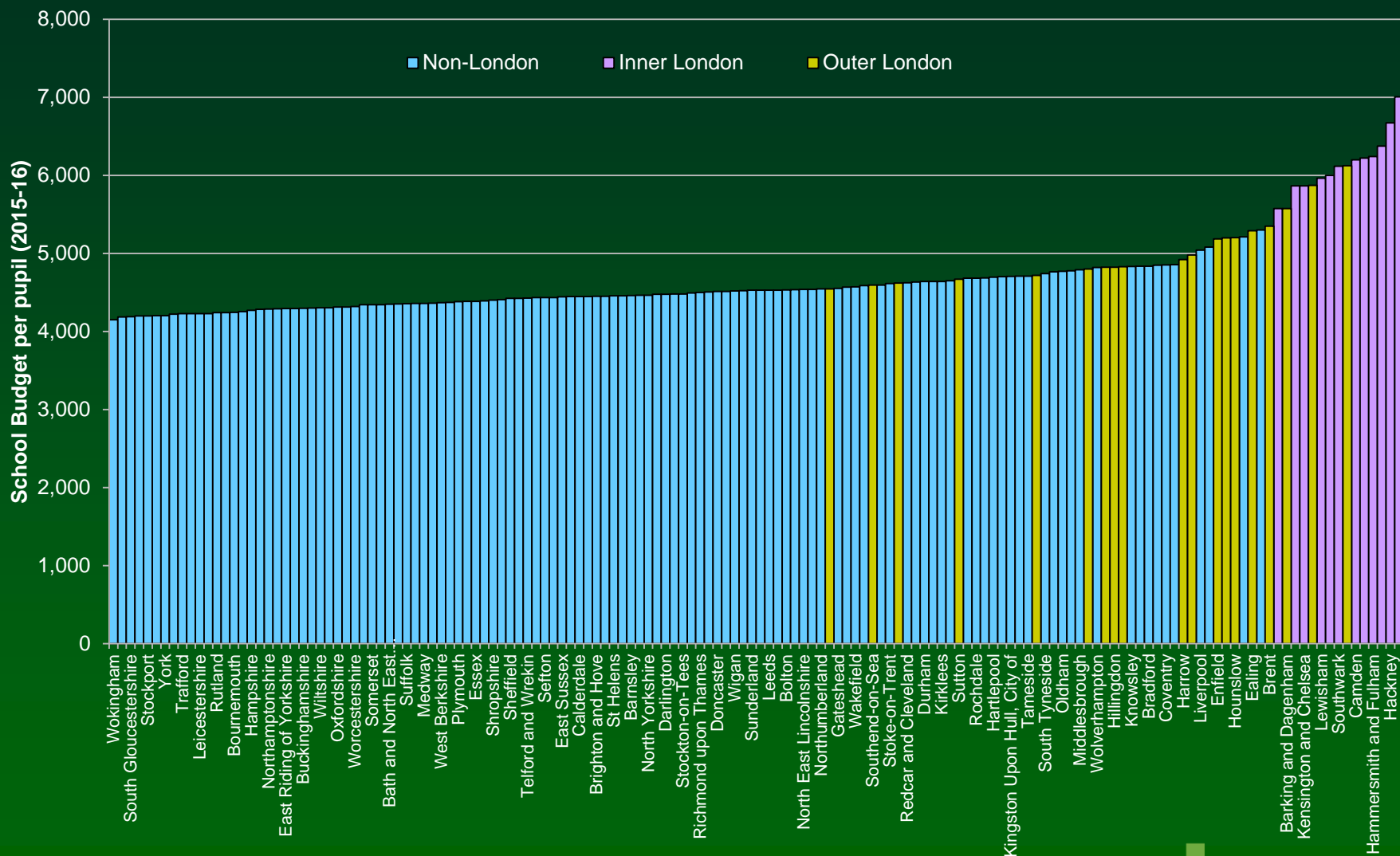


Notes and Source: School budget per pupil relates to schools block unit of funding in 2015-16 (<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2015-to-2016>); Proportion of pupils eligible for FSM taken measured in January 2015 (<https://www.gov.uk/government/statistics/schools-pupils-and-their-characteristics-january-2015>).



Wide variation in funding per pupil across LAs

Most of variation driven by London and rest of England (mainly inner London)

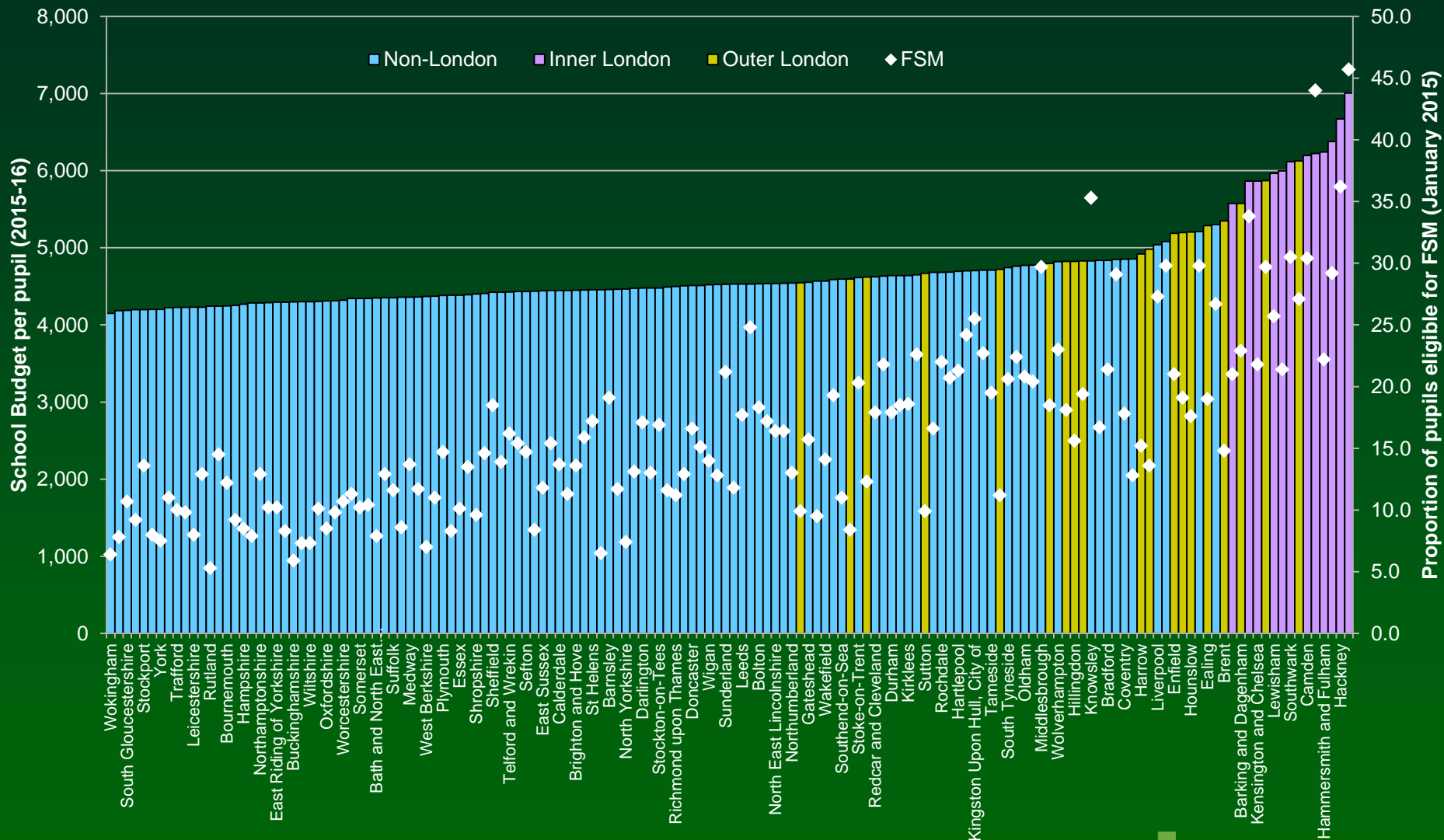


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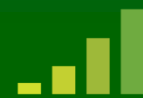


Wide variation in funding per pupil across LAs

Some, but not all, of the rest of the variation is driven by social deprivation

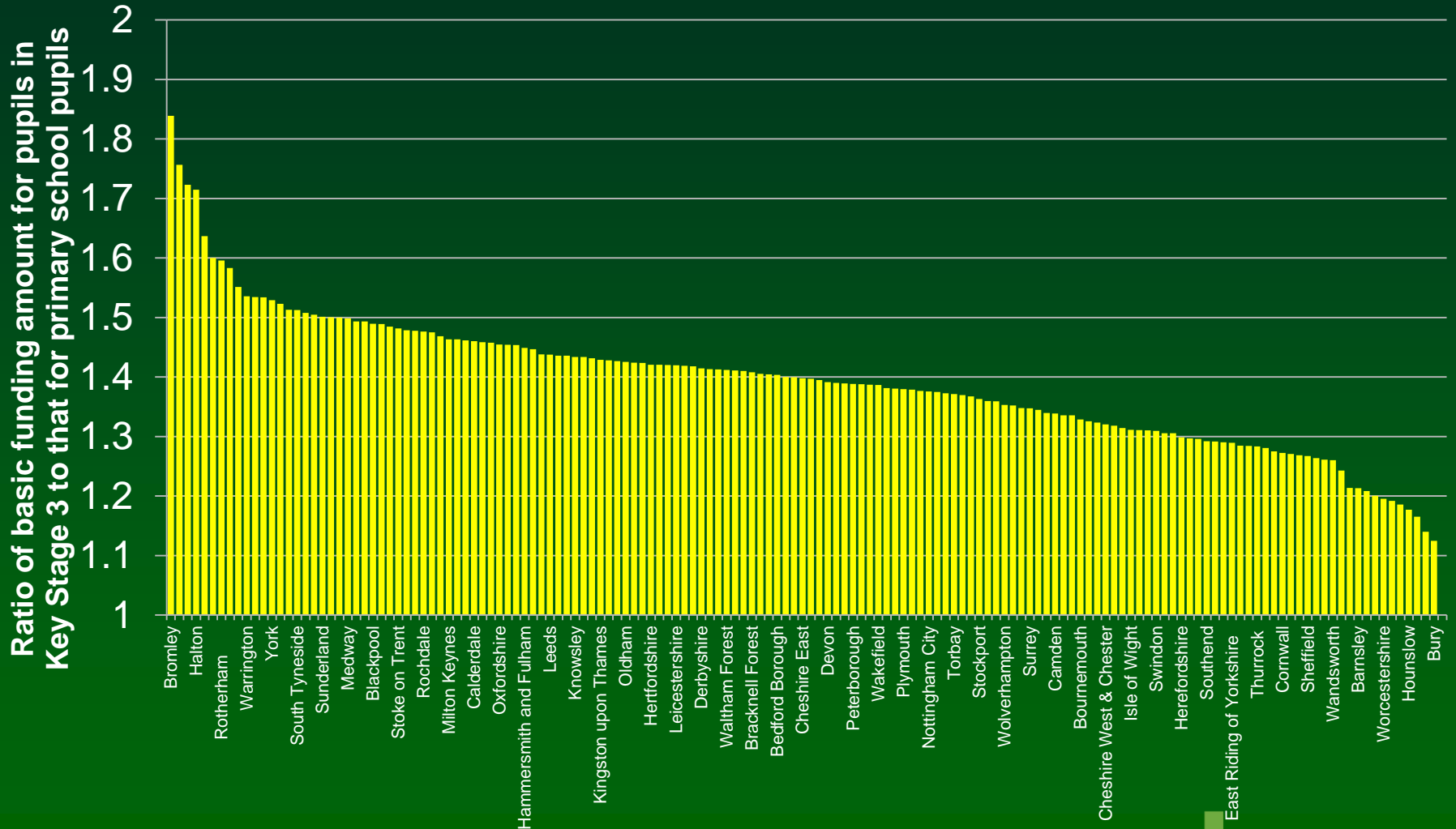


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Local authorities make different choices

E.g. Differences in ratio of basic amount provided for pupils aged 11-14 and primary school pupils.



Notes and Source: Shows ratio of basic amount provided for pupils in Key Stage 3 to basic amount provided to pupils in primary schools. Taken from Local Authority Funding Formulae for 2014

(<https://www.gov.uk/government/publications/schools-block-funding-formulae-2014-to-2015>)

The system is in need of reform

- Schools with similar characteristics can receive different funding levels
 - a) Discrepancy between needs and funding at local authority level
 - *No formula for allocating funds to local authorities for at least a decade*
 - *This type of variation is not desirable*
 - *But possibly not as large as one would first think*
 - b) Different priorities in local authority funding formulae
 - *Substantial variation here*
 - *Good use of local discretion and information?*
 - *Or, unjustifiable variation between similar schools in different areas?*
- System is complex – weakens incentives
- Is LA-based system appropriate if all schools are Academies or Free Schools?

Government proposals for a national funding formula

- Two stage consultation launched in March 2016
 - Stage 1: Structure and principles (closes April 17, 2016)
 - Stage 2: Set out the actual formula levels and how different schools/areas will be affected (no timetable yet)
- Main proposals for reform
 - Replace 152 different local-authority level formula with a single school-level formula
 - ‘Hard’ school-level formula will operate from 2019-20
 - Gradual transition phase starting from 2017-18
 - Separate reform of high-needs and early years funding systems

Long-term effects of a school-level formula

- Will ensure schools in similar circumstances receive similar levels of funding per pupil
- Movement of funding from 'over-funded' to 'under-funded' areas
- Harmonisation of formula factors across local-authorities
 - Potentially more significant effects
 - E.g. If LA currently provides higher-than-average secondary/primary funding ratio, primary schools will see increase in funding and secondary schools will see decrease
- Funding will be predictable and adjust to changes in school circumstances

Getting there in the short-term (1)

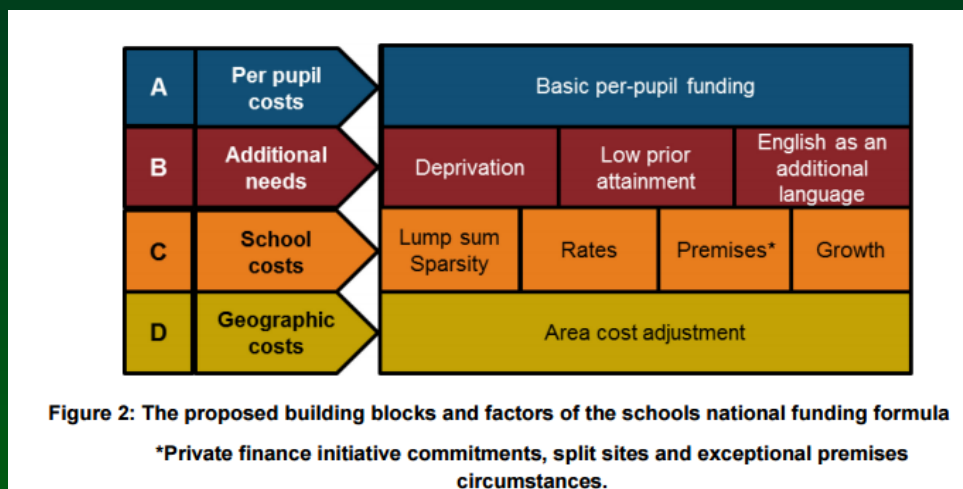
- Transition begins in 2017-18
 - Shadow school-level formula applied to all schools in England
 - Minimum Funding Guarantee applied to shadow allocations
 - Local Authorities receive sum of allocations for schools in their area
- This will redistribute funding across areas and begin to ensure similar areas receive similar levels of funding
 - Subject to minimum funding guarantee
- Local authorities continue to use own formula in 2017-18 and 2018-19
 - Could use a lower (i.e. more negative) minimum funding guarantee

Getting there in the short-term (2)

- Movement to 'hard' school-level formula in 2019-20
- Will remove differences in funding across schools that currently result from different choices made by local authorities
 - Potentially much larger change
- Minimum funding guarantee will continue to protect some schools

The critical questions for the second consultation

- Department has set out factors it proposes for inclusion in formula, second consultation will set out the rates



- Level and profile of minimum funding guarantee will be crucial
 - Determines how much schools can lose and gain each year
 - Determines speed at which all schools move to new formula allocation
 - Flat cash-terms funding per pupil means cash-terms gains need to be funded by cash-terms losses elsewhere

Summary

- Total school spending protected in real-terms, but still likely to be real-terms to schools spending per pupil of over 7%
- Government has set out plans for national funding formula applying at the school-level
 - Will represent a substantial change to the way in which schools are funded in the long-run
 - Transition begins in 2017-18
 - Hard-school level formula kicks in for 2019-20
- Devil will be in the detail
 - Level of different factors
 - Level of the Minimum Funding Guarantee