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Addressing challenges and priorities in school funding

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Westminster Education Forum, March 3rd 2016



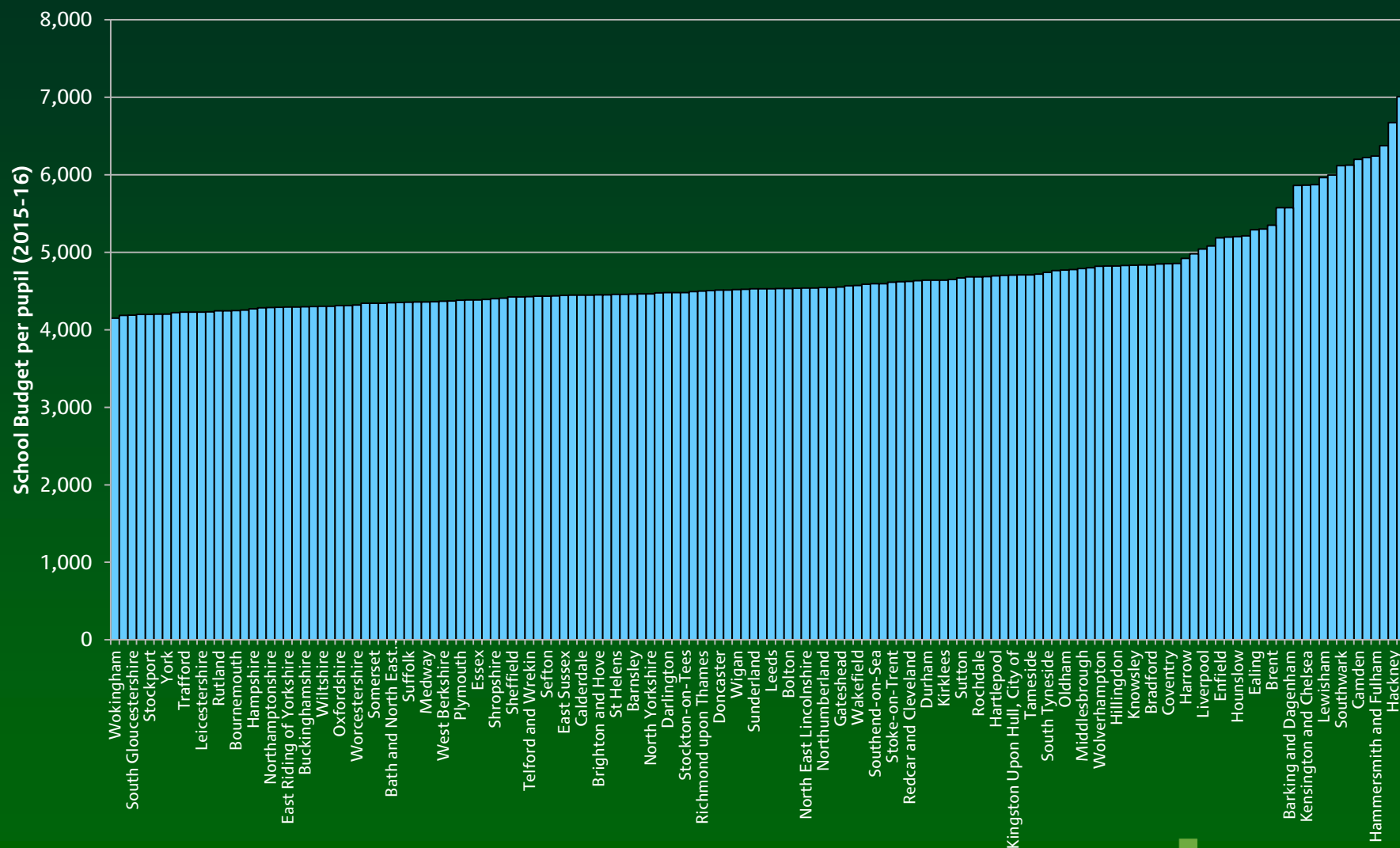
Schools Spending in the 2016 Spending Review

- 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
 - Consult on details in early 2016

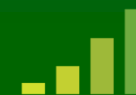
The current school funding system (and the problems)

- 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



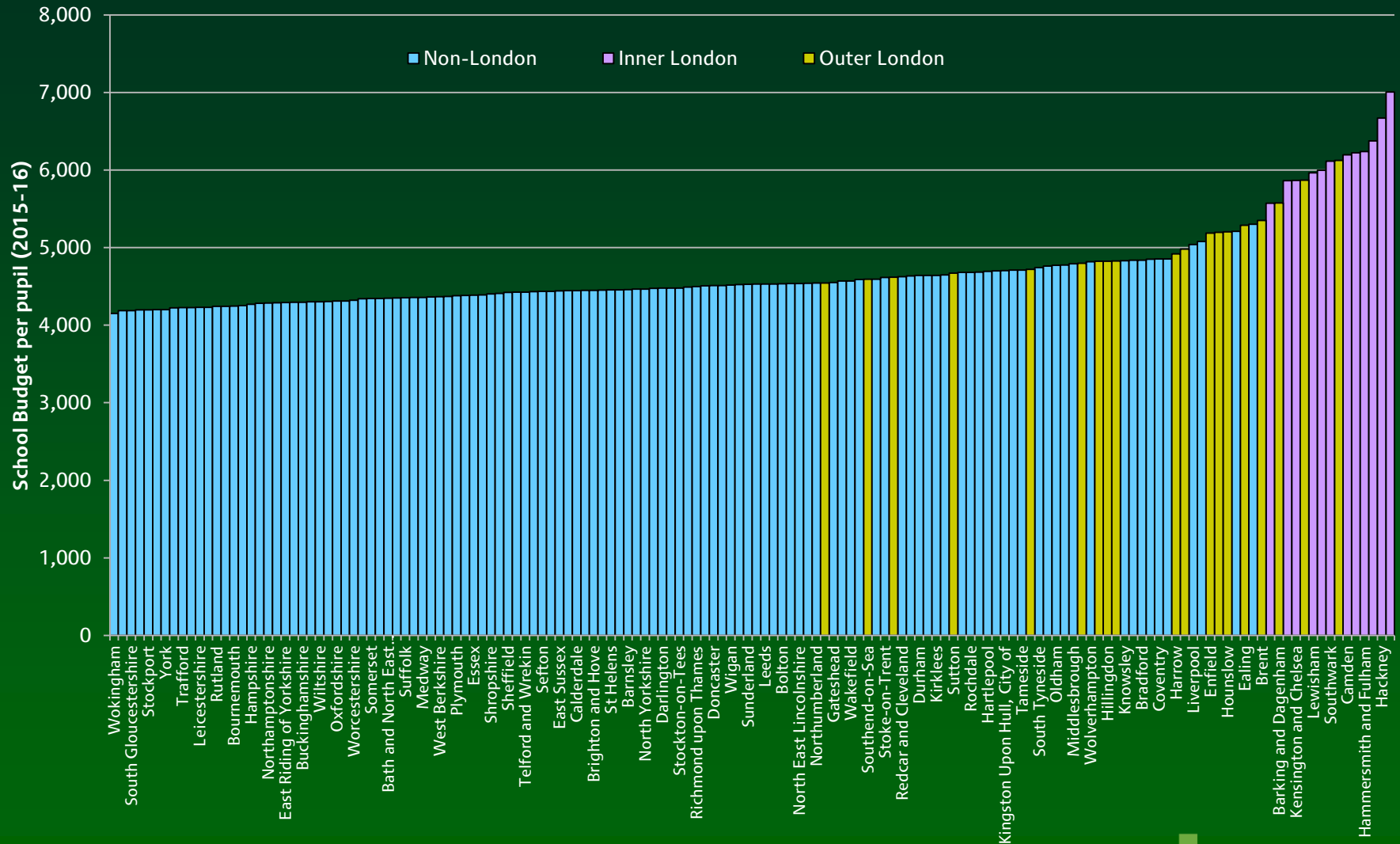
Notes and Source: School budget per pupil relates to schools block unit of funding in 2015-16 (<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2015-to-2016>); Proportion of pupils eligible for FSM taken measured in January 2015 (<https://www.gov.uk/government/statistics/schools-pupils-and-their-characteristics-january-2015>).



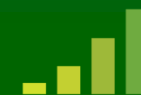
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Wide variation in funding per pupil across LAs

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

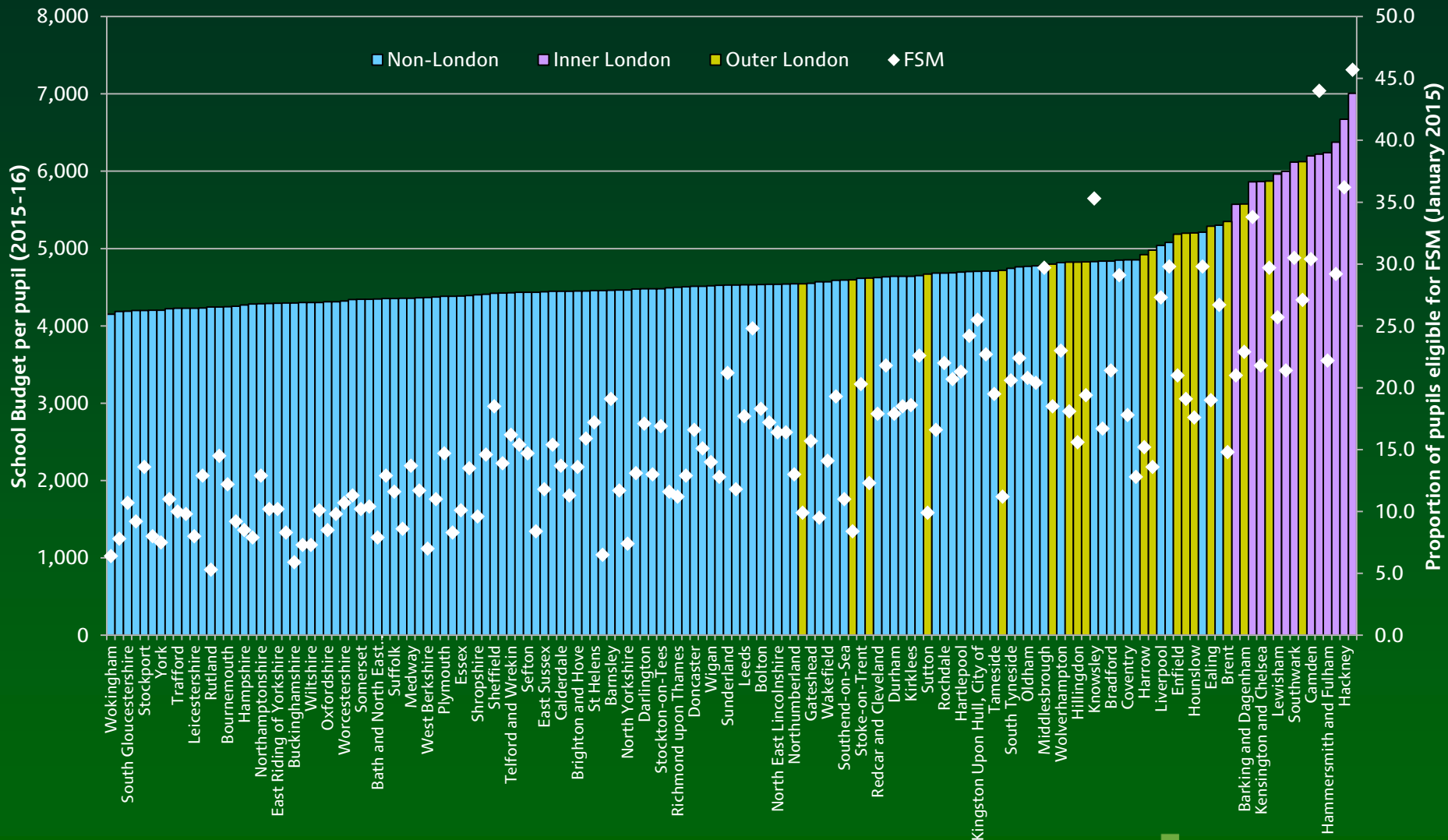


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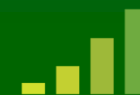


Wide variation in funding per pupil across LAs

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



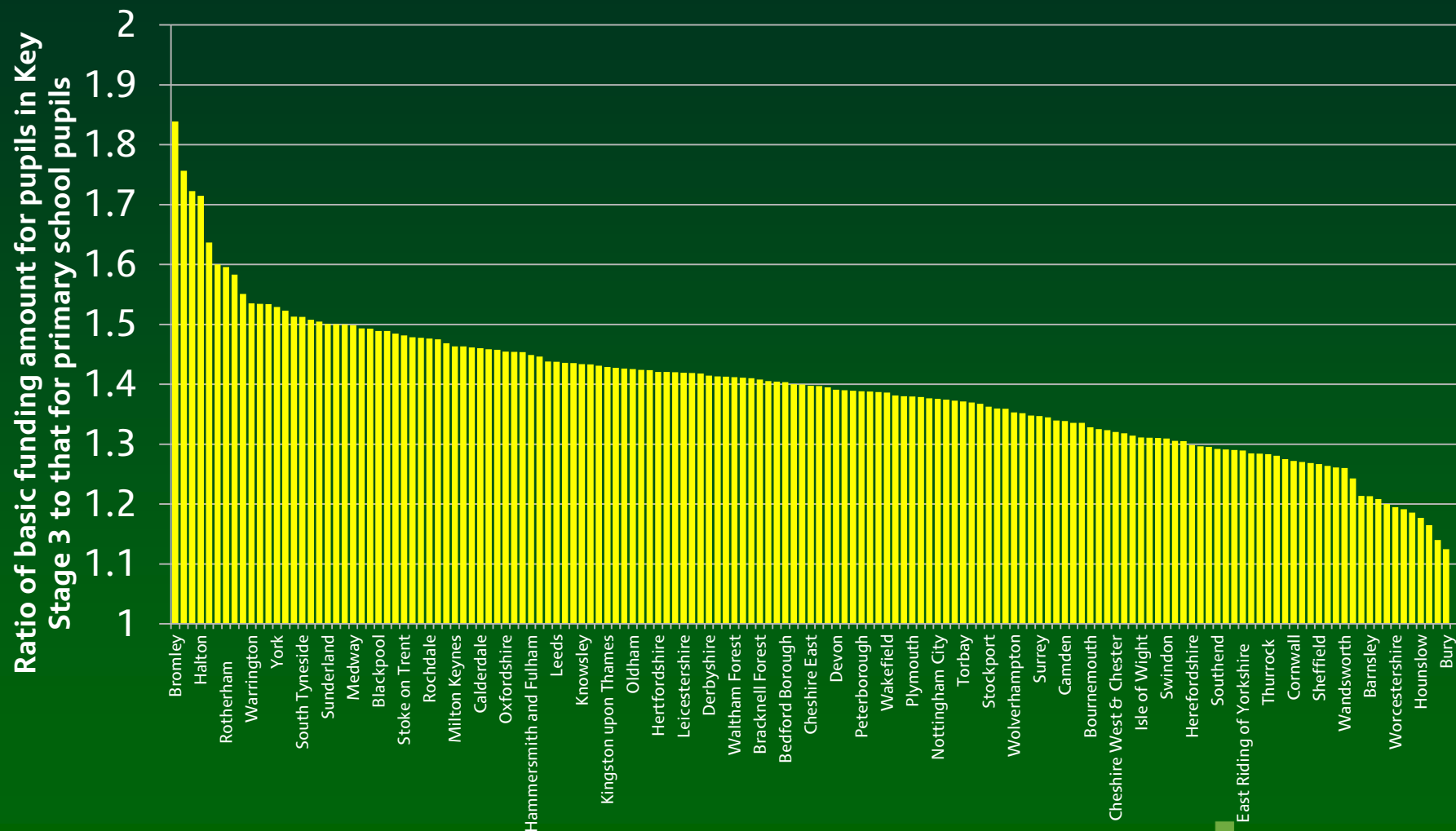
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Local authorities make different choices

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>



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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?

Plans for national funding formula from April 2017

- Two main options for 2017 formula:

1. Local-Authority Formula

- *Ensures local authority funding reflects differences in needs and costs*
- *If April 2015 formula chosen, would imply largest cuts to inner London*

2. School-Level Formula – single formula for all schools in England

- *Equalise differences across similar local authorities*
- ***Plus** effects of harmonising 150 different funding formula into one*
- *Creates significant numbers of winners and losers*
- *Loss of local discretion*
- *More in keeping with system where all schools expected to be Academies or Free Schools?*

Summary

- Total school spending protected in real-terms, but still likely to be real-terms to schools spending per pupil of over 7%
- Plans for a national funding formula for schools
 - Lots of options; effects will depend on precise formula chosen
 - How much local discretion is desirable?
 - What is the best formula if all schools are Academies
- Government consultation should set out implications of different options and make plans for transitional arrangements