The pupil premium: assessing the options

Empirical Analysis of Policy Options

Haroon Chowdry, March 2nd 2010.

Outline

- Issues around designing a pupil premium

- Underlying assumptions

- Modelling specific pupil premium options
  - Which schools are winners and losers?
  - How redistributive are these reforms?

- Moving to a single national funding formula
  - What kinds of school would win or lose?
  - How might the risk of large losses be mitigated?

- What have we learnt?

Key questions for designing a pupil premium

- To analyse policy options, need to specify first what those options might be

- Four main questions to consider

1) How should "disadvantaged" pupils be classified?

2) How much should the pupil premium be?

3) What would the net cost of the policy be?

4) Would it replace any or all of the current system?

Key questions for designing a pupil premium

1) How should "disadvantaged" pupils be classified?

   – Low income? Low attainment? Other barriers to learning?

   – We use FSM eligibility, indicators of neighbourhood deprivation (MOSAIC) and low prior attainment at age 11

   – Also allow for language and learning difficulties (EAL/non-statemented SEN)

2) How much should the pupil premium be?

3) What would the net cost of the policy be?

4) Would it replace any or all of the current system?

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Key questions for designing a pupil premium

1) How should "disadvantaged" pupils be classified?

2) How large should the pupil premium be?

   – Evidence suggests very large in order to close achievement gap

   – Alternative: pupil premium determined by 3)

   – Take a given total budget and number of disadvantaged pupils, then calculate feasible premium

3) What would the net cost of the policy be?

4) Would it replace any or all of the current system?

Key questions for designing a pupil premium

1) How should "disadvantaged" pupils be classified?

2) How much should the pupil premium be?

3) What would the net cost of the policy be?

   – £2.5bn (proposed by Lib Dems)

   – Revenue-neutral (in light of public finances)

   – Or somewhere in between (e.g. £1bn)

4) Would it replace any or all of the current system?

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Key questions for designing a pupil premium

1) How should "disadvantaged" pupils be classified?

2) How much should the pupil premium be?

3) What would the net cost of the policy be?

4) Would it replace any or all of the current system?

   1. Supplement all existing funding (proposed by Lib Dems)

   2. Replace specific grants

   3. Replace specific grants and local authority formula funding ('single national funding formula')

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Underlying assumptions

- Analyse the impact on school budgets only

  - Do not take into account possible responses to a pupil premium by schools or parents

  - Number of pupils (and their distribution across schools) fixed at 2008–09 level

- Some streams of funding are kept fixed at 2008–09 levels

  - Area Cost Adjustment

  - LSC funding for sixth-form pupils

  - Funding for pupils with statements of SEN

  - Discretionary budget adjustments

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Modelling specific pupil premium options

Most basic example (Option 1a in report)

- £2.5bn pupil premium on top of current system

  – No schools lose out

- Additional funding weighted towards FSM only

- 1.04 million pupils eligible for FSM in England in 2008–09

  ⇒ All schools receive extra £2,400 extra per FSM pupil

	Option 1a
Measure of disadvantage	FSM
FSM premium	£2,400
Net cost	£2.5bn

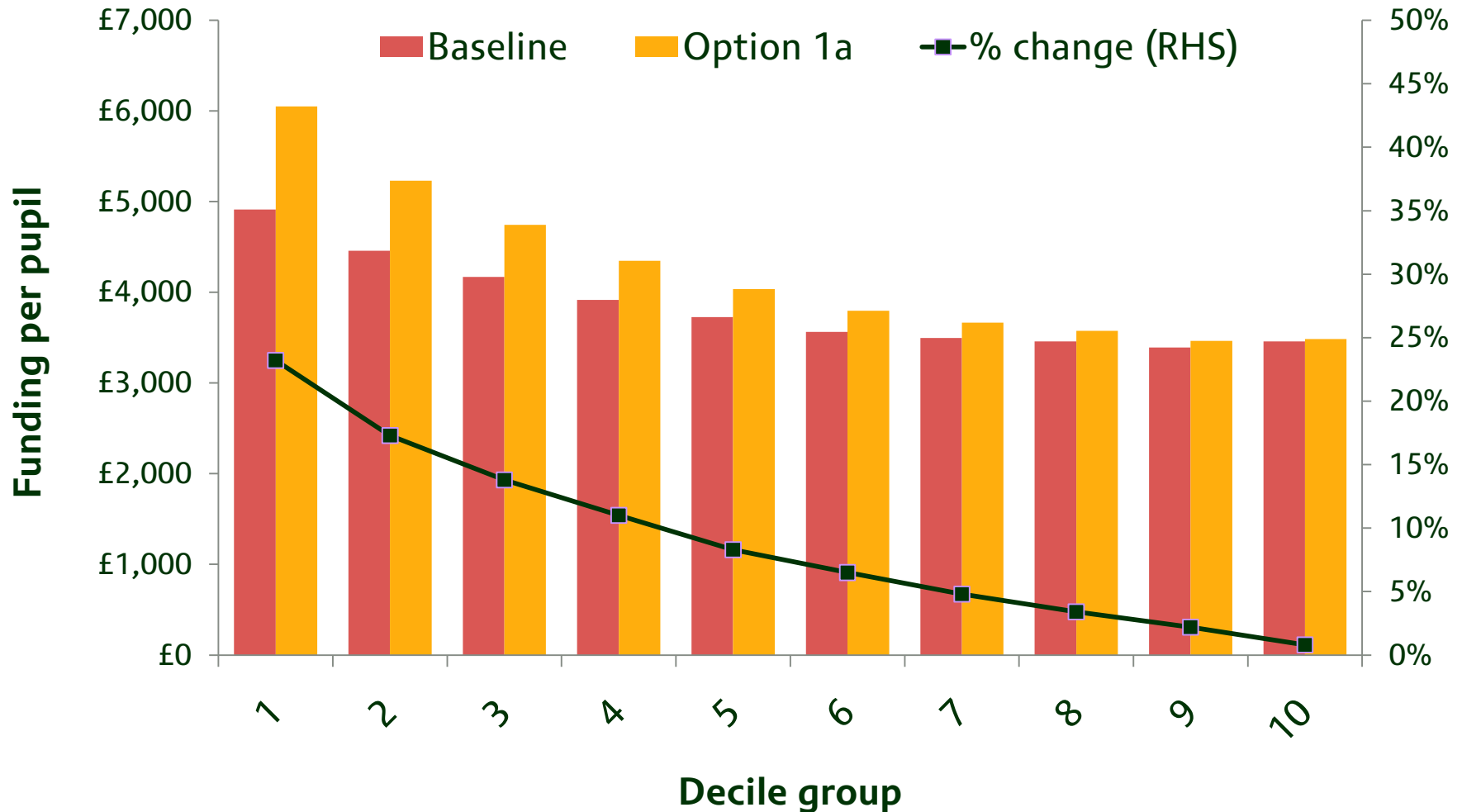Institute for Fiscal Studies

Percentage change in funding levels: Option 1a
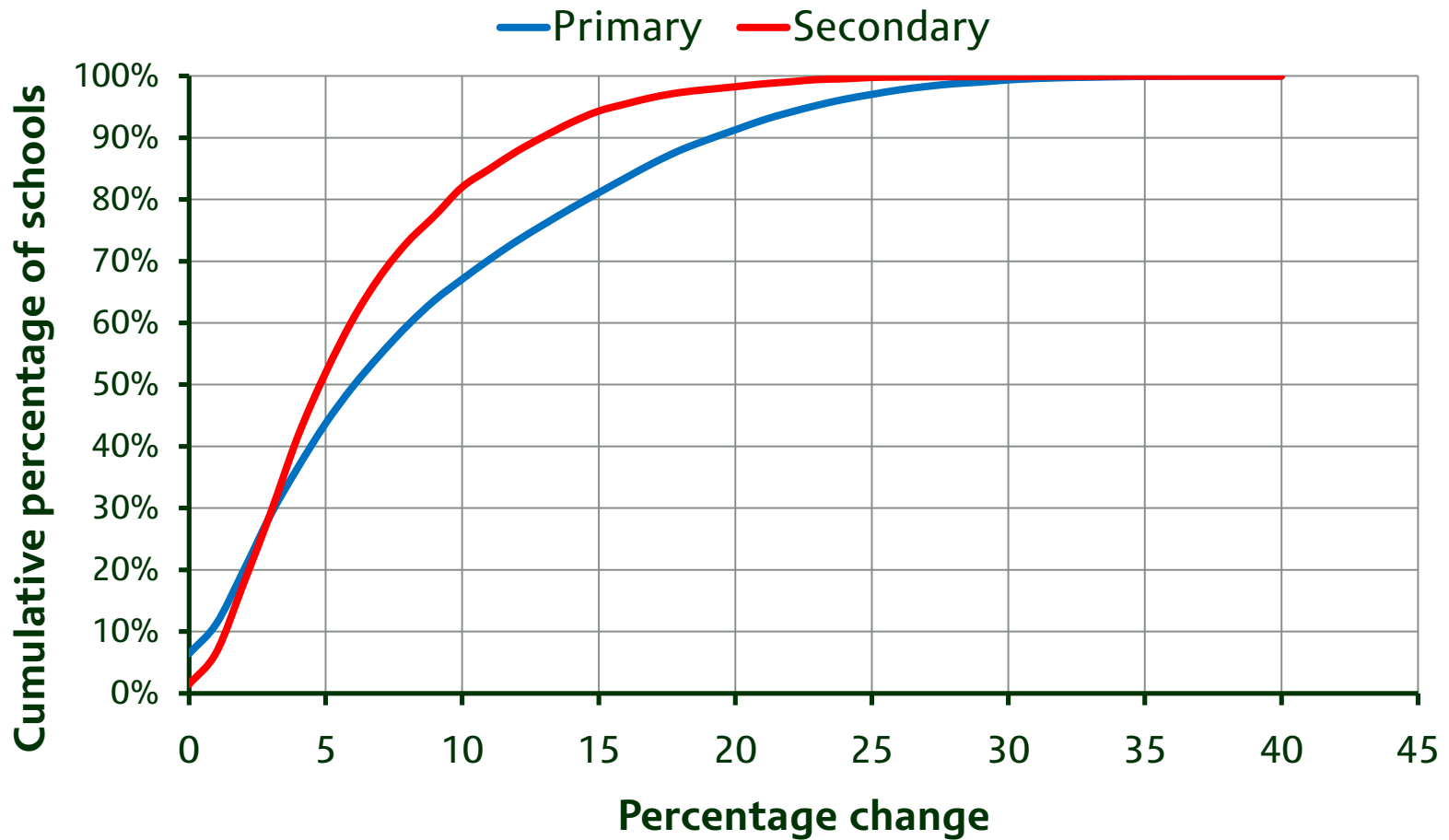
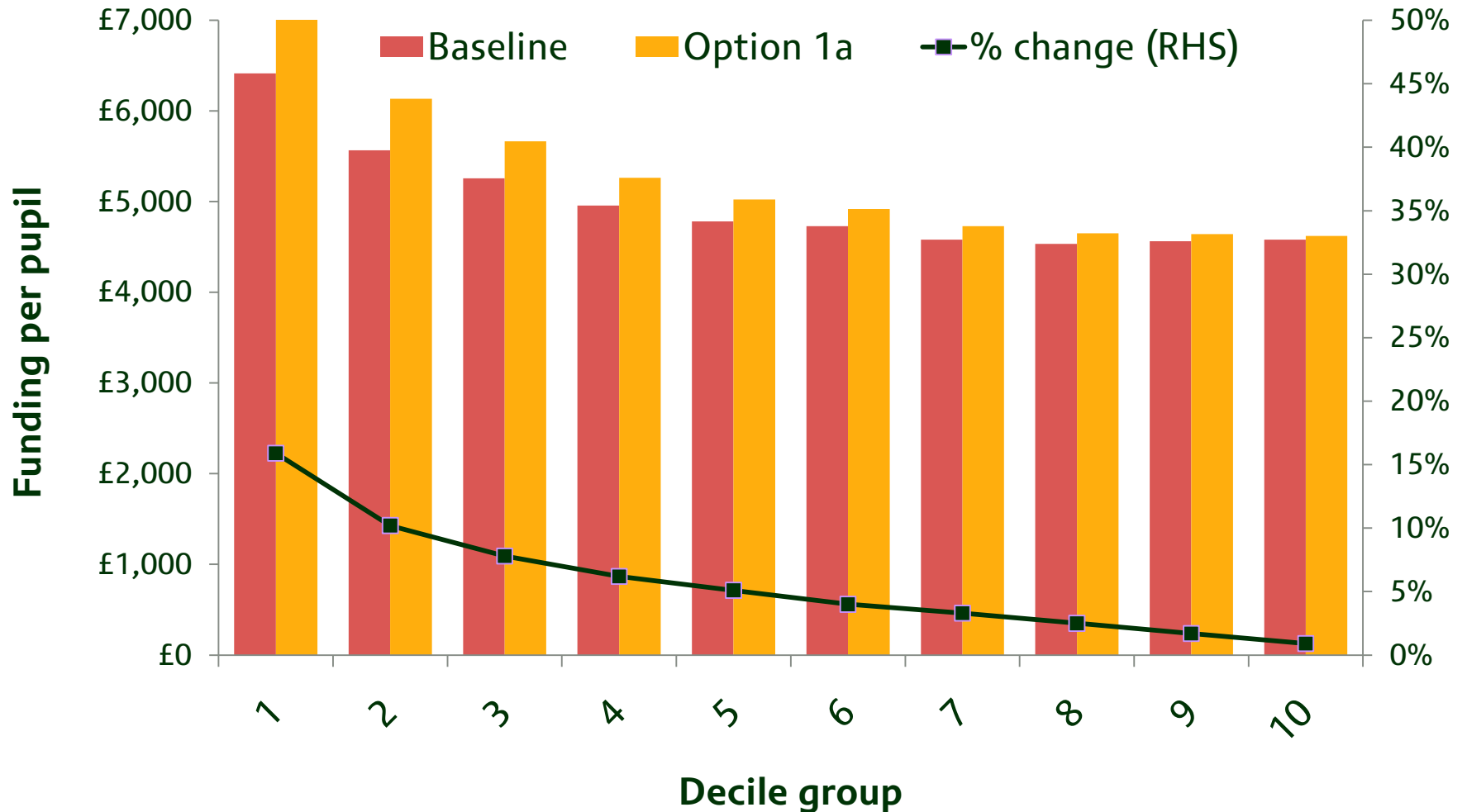# Percentage change in funding levels: Option 1a
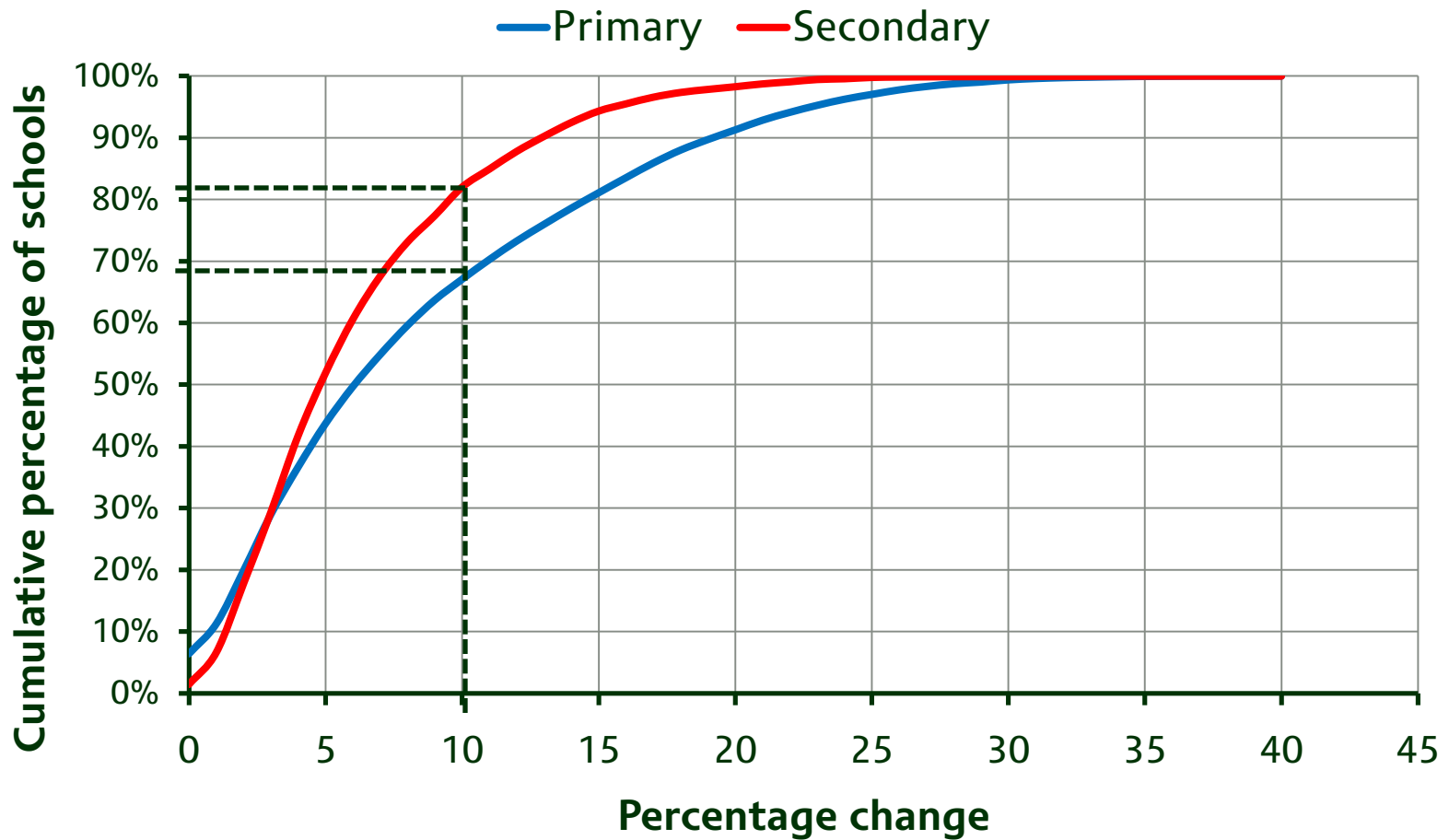
Primary funding by deprivation level: Option 1a

Secondary funding by deprivation level: Option 1a

Legend: Baseline, Option 1a, % change (RHS)

X-axis: Decile group (1–10)
Left Y-axis: Funding per pupil (£0–£7,000)
Right Y-axis: 0%–50%

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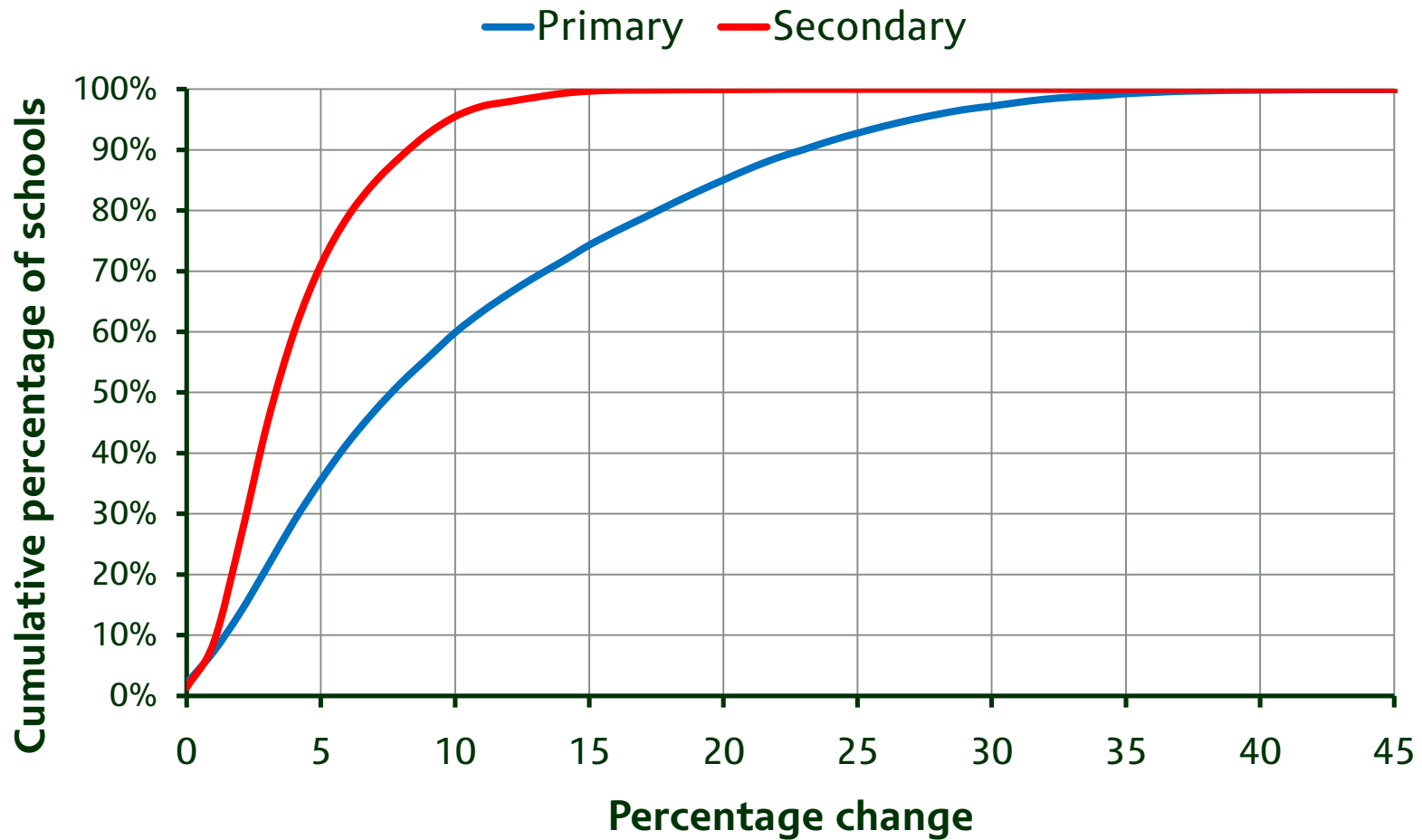
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Modelling specific pupil premium options

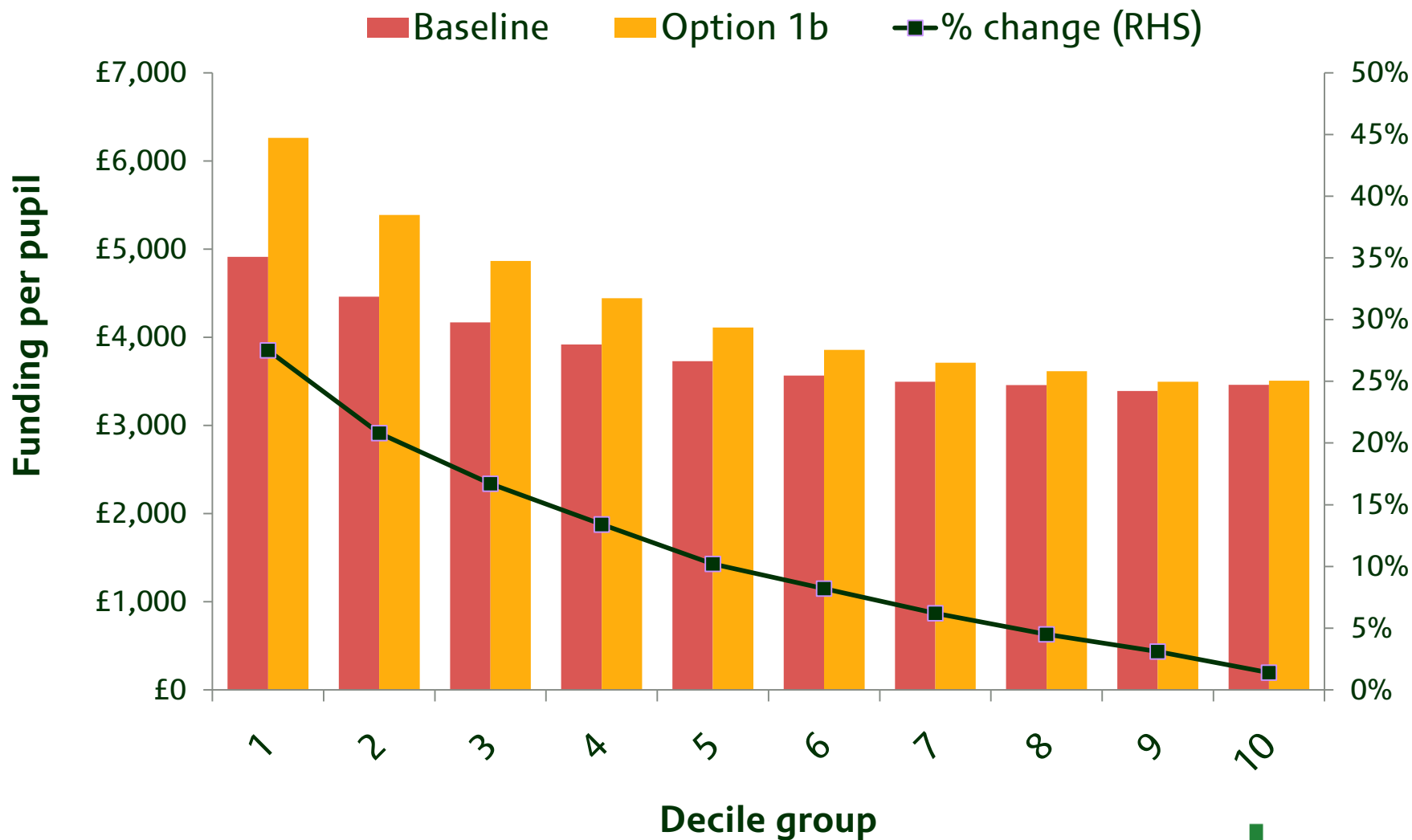Approximation of Liberal Democrat proposal (Option 1b)

- £2.5bn pupil premium on top of current system

- Money is allocated for FSM pupils
  - Primary pupils attract twice the FSM premium as secondary pupils

- Smaller payments for pupils with EAL or non-statemented SEN

	Option 1b
Measure of disadvantage	FSM
FSM premium (primary/secondary)	£2,740/£1,370
EAL premium	£140
SEN premium	£140
Net cost	£2.5bn

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Percentage change in funding levels: Option 1b

Primary funding by deprivation level: Option 1b

Legend: Baseline, Option 1b, % change (RHS)

Y-axis (left): Funding per pupil — £0 to £7,000
Y-axis (right): 0% to 50%
X-axis: Decile group — 1 to 10

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Secondary funding by deprivation level: Option 1b

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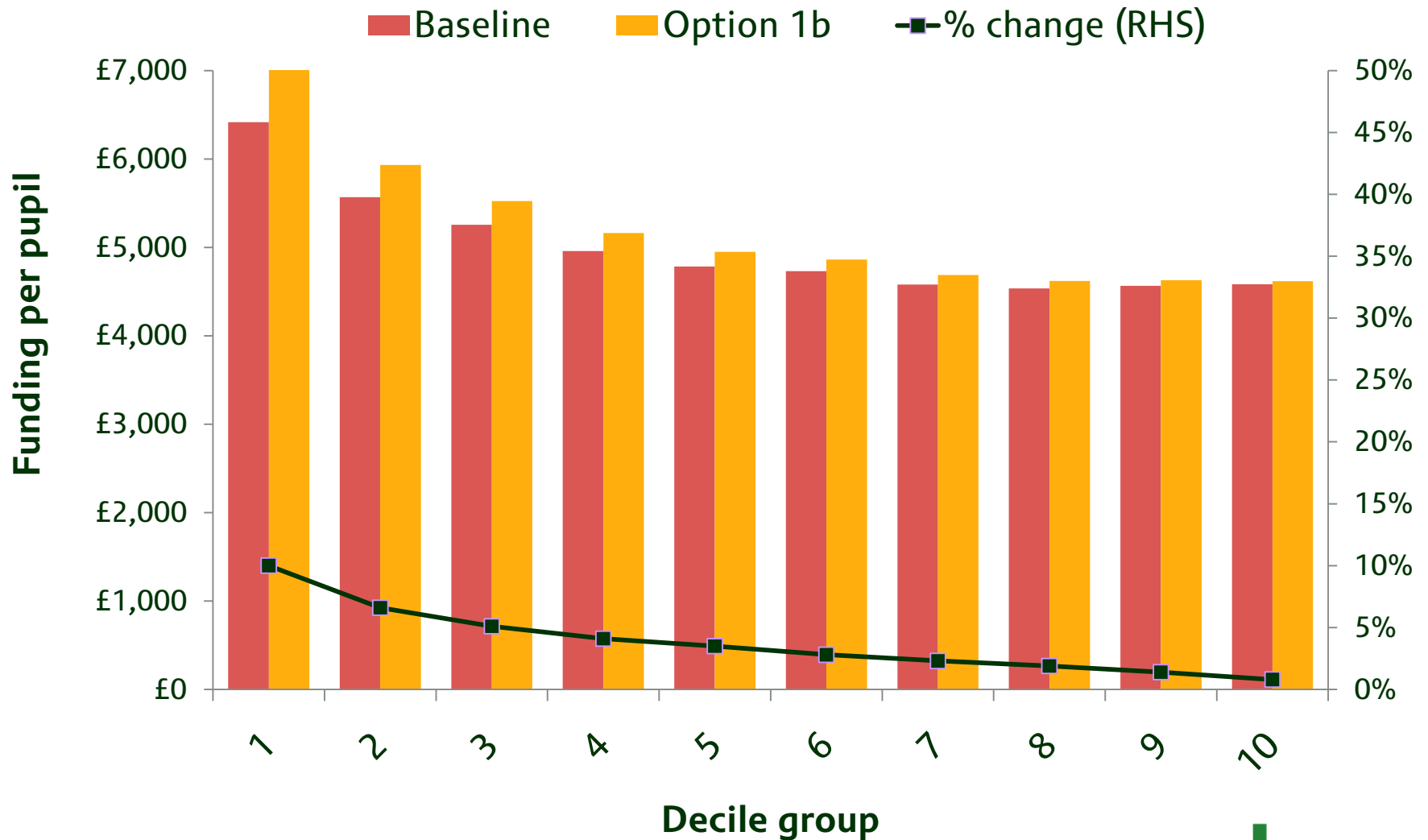
Modelling specific pupil premium options

Very simple version of single national funding formula (3a)

- Scrap specific grants and LA formulae funding (totalling £31bn)

- Provide a basic cash amount for all pupils, varying by Key Stage

- Add an FSM pupil premium on top

  - Give a 33% higher FSM premium to secondary schools

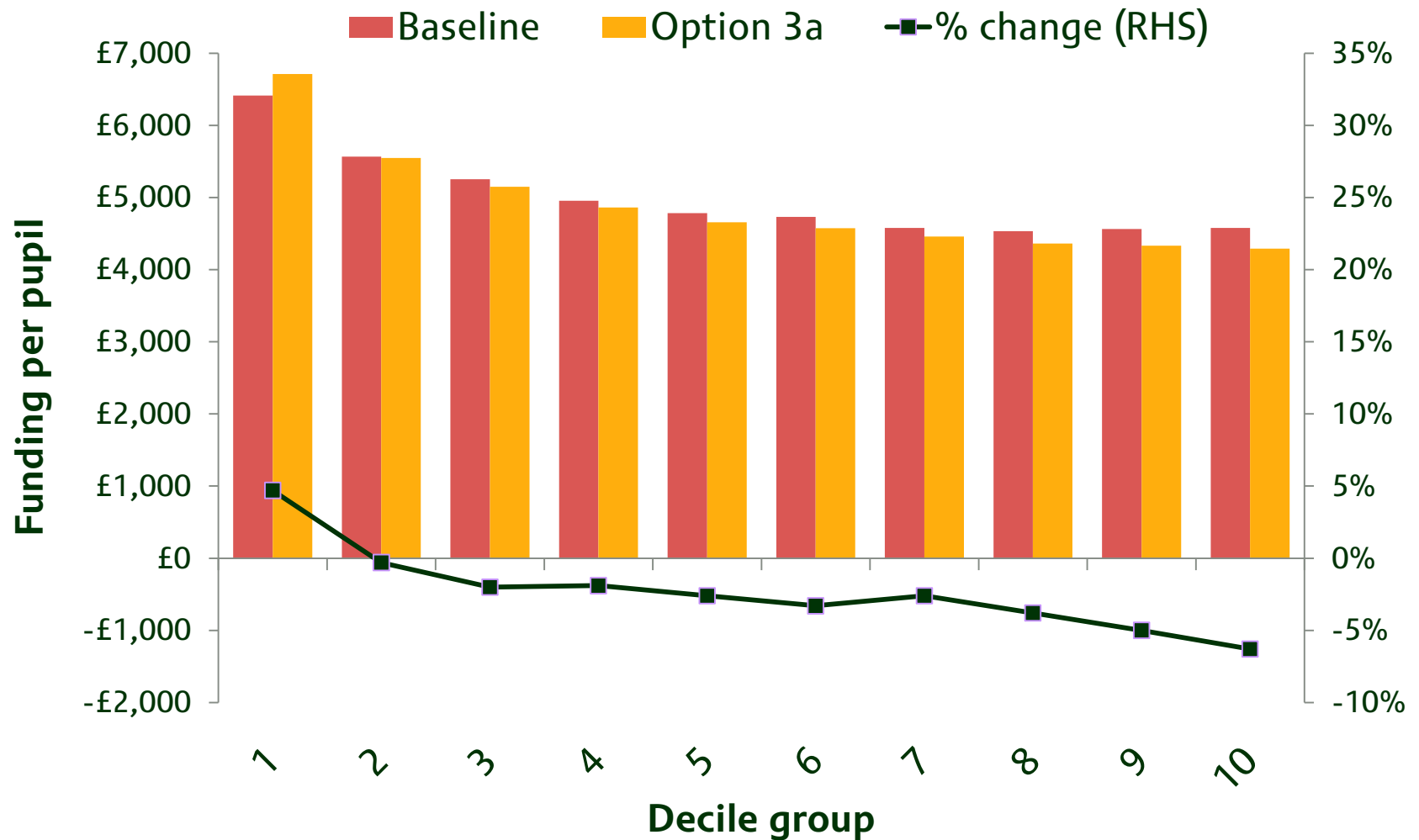|	Option 3a
Measure of disadvantage	FSM
FSM premium (primary/secondary)	£3,690/£4,920
EAL premium	£250
SEN premium	£250
Net cost	£0bn

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Percentage change in funding levels: Option 3a
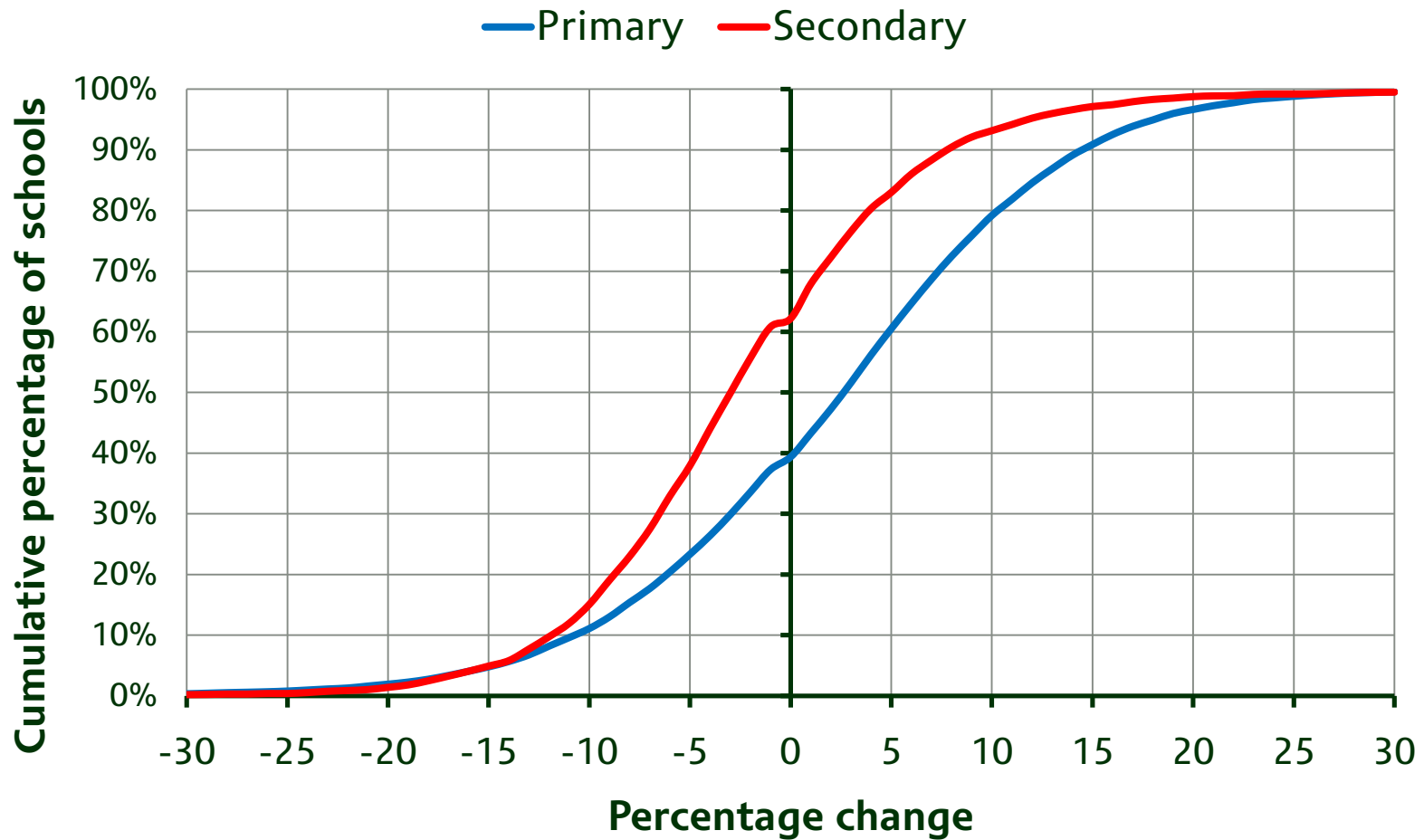
Primary funding by deprivation level: Option 3a
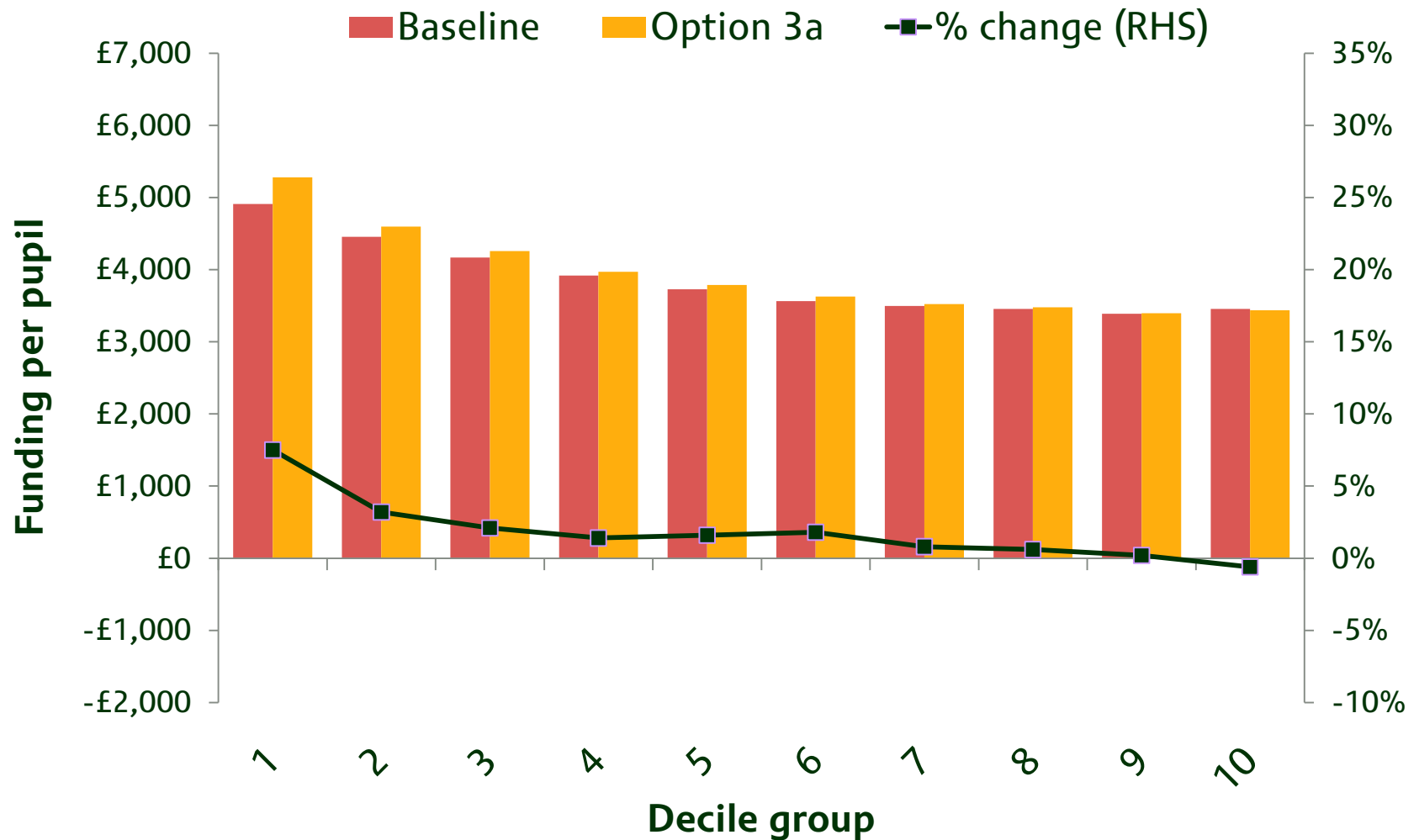
Secondary funding by deprivation level: Option 3a

Modelling specific pupil premium options

Approximate version of Policy Exchange proposal (3b)

- Use MOSAIC geo-demographic classifications instead of FSM

  – Provide extra money to schools for pupils in the 3 MOSAIC groups associated with lowest GCSE attainment

- Additional funding made available by cutting other areas of education spending outside Schools Budget

	Option 3b
Measure of disadvantage	MOSAIC
MOSAIC premium (groups 1–3)	£4,660/£3,100/£770
EAL premium	£230
SEN premium	£230
Net cost	£1bn
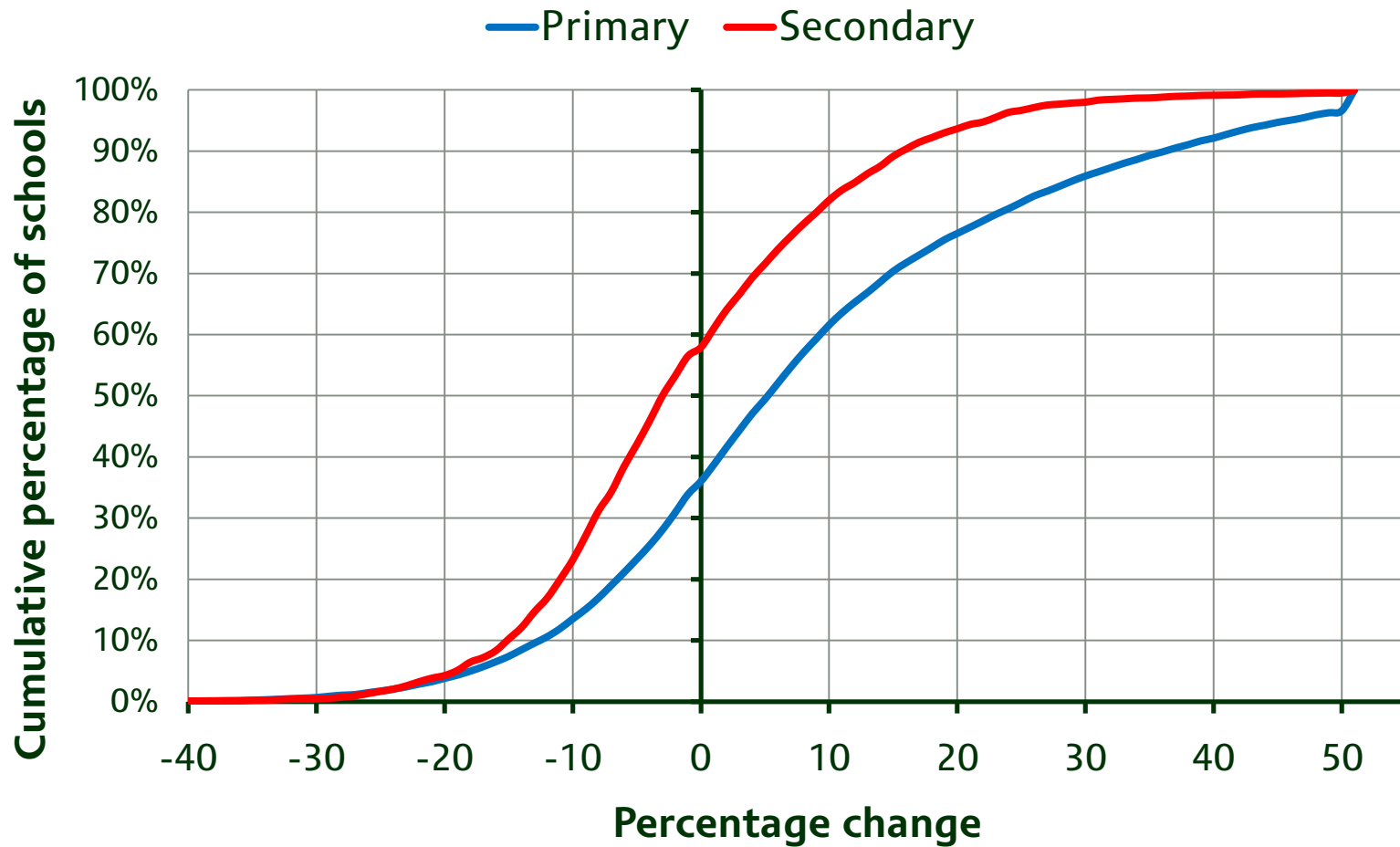
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Percentage change in funding levels: Option 3b

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Primary funding by deprivation level: Option 3b

Legend: Baseline — Option 3b — % change (RHS)

Funding per pupil (left axis): £7,000, £6,000, £5,000, £4,000, £3,000, £2,000, £1,000, £0, -£1,000, -£2,000

% change (right axis): 35%, 30%, 25%, 20%, 15%, 10%, 5%, 0%, -5%, -10%

Decile group: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10

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Secondary funding by deprivation level: Option 3b

Legend: Baseline | Option 3b | % change (RHS)

Decile group
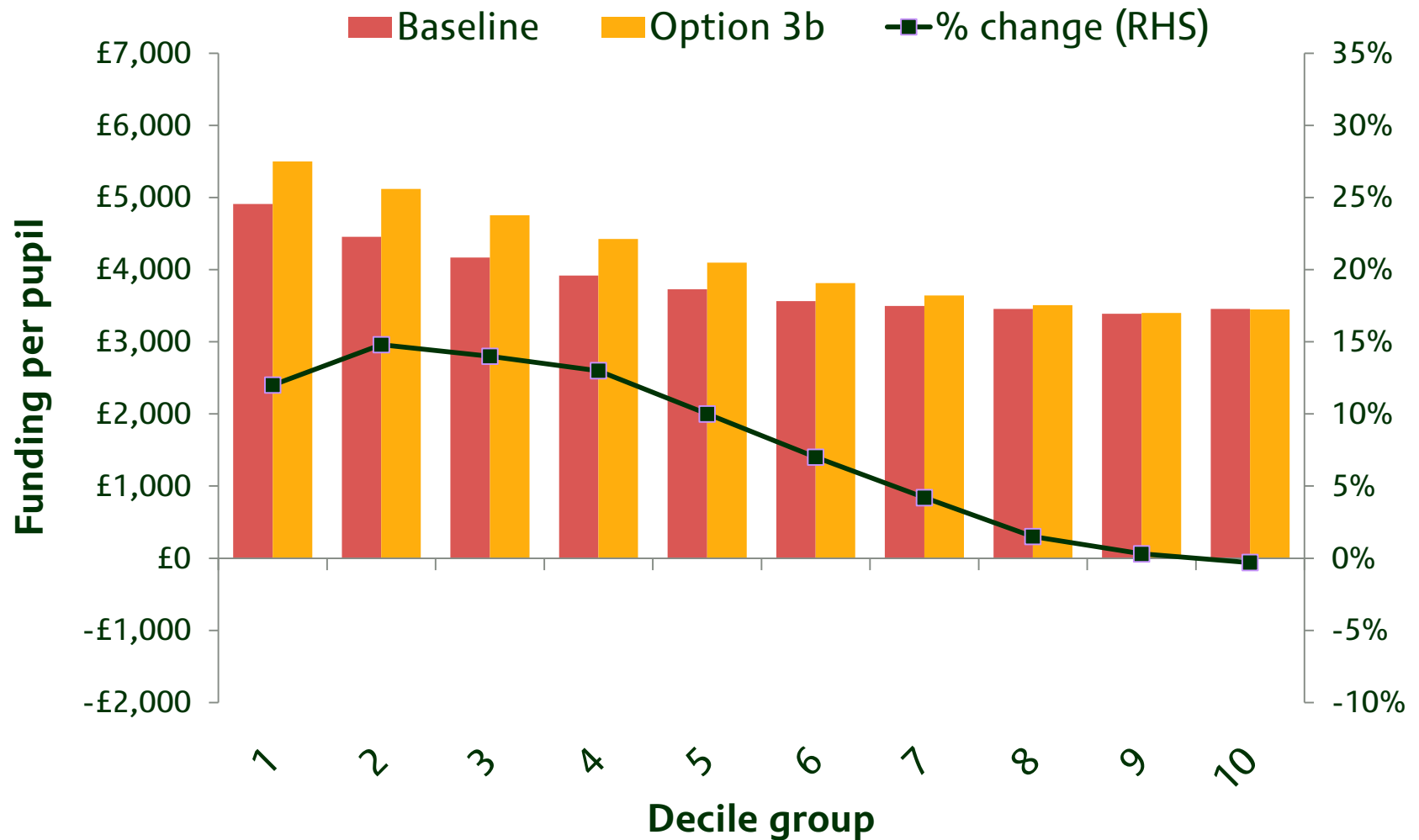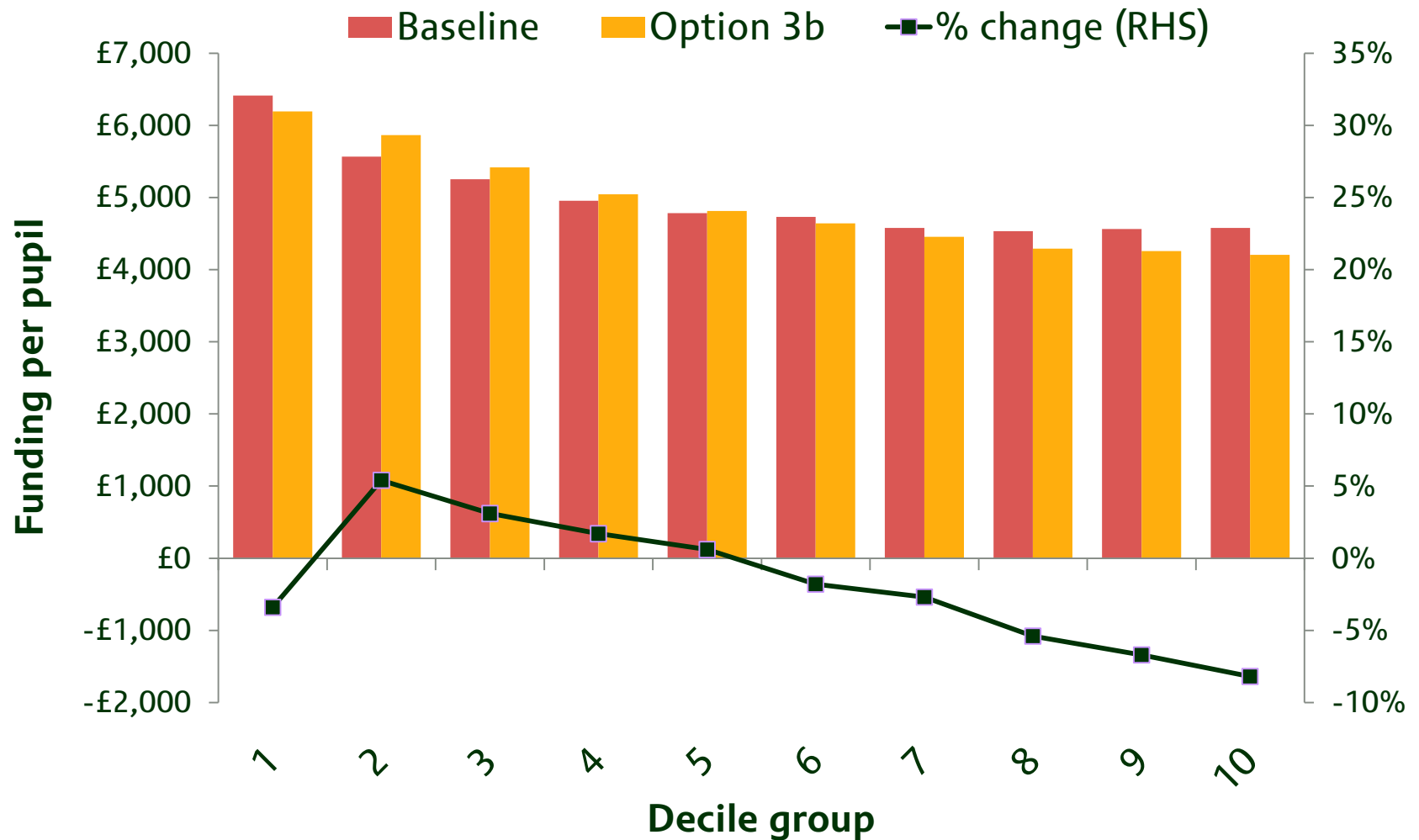
Moving to a single national funding formula

- Some schools would face a significant change in their resources
  - What characteristics do these schools have?
  - Consider simplest option (3a) and examine gains/losses further

- Large secondary schools lose more; less of a pattern for primary
- Geographic variation:
  - Rural primary schools gain more than urban; less of a pattern for secondary
  - Primary schools in South West and South East gain most, in Yorkshire they lose on average
  - Only secondary schools in London and NE gain on average; Yorkshire and East Midlands lose the most
  - Gains and losses are concentrated in particular local authorities

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Small impact on year-to-year volatility

Legend:
— Primary (actual) --- Primary (option 3a)
— Secondary (baseline) --- Secondary (option 3a)

Y-axis: Cumulative percentage of schools (0% to 100%)
X-axis: Annual % change in funding per pupil (-30 to 30)

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Transitional mechanisms

Floor on losses in real-terms per-pupil spending	Length of transition (years)	Cumulative total cost of transition (£m, 2010 prices)	
		Without ceiling on increases in funding	With ceiling of 15% per year
-3%	9	1,650	570
-4%	7	1,130	460
-5%	5	800	370
-6%	5	610	290
-7%	4	470	220
-8%	4	370	170
-9%	3	290	120
-10%	3	230	80

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-7%	4	470	220
-8%	4	370	170
-9%	3	290	120
-10%	3	230	80

What have we learnt?

- Many possible options and definitions

- Pupil premium can significantly increase funding in most deprived schools

  – Easy if just provided on top of current system

  – But difficult to sustain given public finances

- Replacing parts of current system creates winners and losers

  – Trade-off between simplicity and flexibility

  – Compensating losers may require additional resources

- Is price of simplicity prohibitive?

  – Single national funding formula could produce fewer significant losers than pure pupil premium from specific grants

  – Potential transitional mechanisms are relatively cheap…

  – …but even 5% losses would be a painful pill to swallow

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