School Funding Reform
Luke Sibieta, 27th June 2013
Overview

• Key Announcements in Spending Round 2013:
  – Frontline schools spending maintained in real terms
  – Plans for a ‘National Funding Formula’ for schools in England from 2015-16
  – Changes to system of student support

• Previous IFS research has done work
  – School funding reform (http://www.ifs.org.uk/publications/5754)
  – Higher education finance (http://www.ifs.org.uk/publications/6429)
Schools Spending is relatively protected

Real-Terms % Change (2014-15 to 2015-16)

-10 -9 -8 -7 -6 -5 -4 -3 -2 -1 0

-1.1 Department for Education (DEL)

-1.8 Capital

-1.0 Resource

-3.8 Non-Schools

Schools spending protected in real-terms

Larger cuts to early years, families and children, and 16-19 education

Sources: Spending Round 2013, Author’s calculations using DfE Business Plan 2012
The current school funding system

• School funding currently allocated by local authorities
• Each local authority receives grant from central government
  – Basically determined as what you got last year plus a bit extra
• Each local authorities then uses its own funding formula
• Key features of the current system
  – Wide variation across schools
  – ‘Progressive’ in the sense that it is focused on more deprived schools
  – Differences in funding across schools with similar characteristics
  – Funding adjusts slowly to changes in pupil characteristics
  – Dependence on historical factors
• School funding system certainly in need of reform
• Some simplification of the system took effect from 2013
Moving to a national funding formula

- Chancellor confirmed government plans to introduce a national funding formula for schools in England during this Spending Round.
- Exact details will be confirmed in consultation out later this year.
- We understand that it will operate at a local authority level and will seek to preserve extra funding for deprivation.
- Likely effects:
  - Areas which have been historically ‘over-funded’ will see falls in funding.
  - Areas which have been historically ‘under-funded’ will see increases.
  - All dependent on exact formula chosen.
  - Will take some time to implement—lengthy transition likely.
- Lowest funded local authorities are not necessarily the most under-funded.
Savings from student support system

• Chancellor announced cash freeze in maximum maintenance grant in 2015-16 (saving £60m)

• Eligibility threshold frozen at £25,000
  – Frozen in cash-terms since 2008-09
  – Amounts to a real-terms cut of over 20% relative to CPI

• National Scholarship Programme re-focused on postgraduates from disadvantaged backgrounds and reduced to £50m in 2015-16
  – Saving of £100m
Conclusions

• Schools spending relatively protected
• Other areas of DfE spending will fall by more.

• Introduction of national funding formula is a welcome reform and will ensure funding to local authorities has a rational basis

• Will lead to significant turbulence across local authorities

• Who gains and who loses will depend on the exact formula chosen and how quickly it is implemented
  – As yet unknown