‘Fairness’ in School Funding

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Outline

• Planned reforms and timetable

• Current School Funding System

• Simplified Local Funding Formula

• Moving to a National Funding Formula
Planned reforms and timetable

- **Coalition reforms to date**
  - Streamlining of grants into Dedicated Schools Grant
  - Cash-terms freeze of existing funding per pupil
  - Pupil Premium
  - Overall effect: small real-terms cut in total funding per pupil

- **2013-14 – Simplified local funding formula**
  - Each local authority sets new formula using allowable factors
  - Equalise funding across similar schools *within* local authorities

- **‘Next Spending Review’ – National Funding Formula**
  - One single national school funding formula for schools in England
  - Equalise school funding levels *across* local authorities
Key features of the current school funding 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
Differences in funding for schools with similar characteristics

Around 20% have funding over 5% more than their characteristics would predict.
Around 20% have funding over 5% less than their characteristics would predict.
Around 60% have funding within 5% of their predicted level.

These differences have become larger since 2005, but were large even then.

Notes: Predicted funding refers to the level of funding predicted for individuals schools based on their observable characteristics, such as numbers of pupils and their different types.

Sources: For a full list of sources please see (http://www.ifs.org.uk/publications/5754)
2013-14 – Local Funding Formulae

• Local authorities in England must create their own simplified funding formula for 2013-14
  – Allowable factors: basic amounts (primary, KS3/KS4), deprivation (FSM and/or IDACI), low-level/high incidence SEN (prior attainment), EAL, lump sum, and others

• Important reforms to high needs funding and central spending

• Minimum Funding Guarantee (-1.5% per year)

• Government refers to this as paving the way for a national funding formula in the next spending review
Local Funding Formulae

• What will this reform achieve?
  – Harmonise differences in funding across similar schools within local authorities

• What won’t it achieve?
  – Will not harmonise differences in funding across similar local authorities
  – Will not harmonise relative funding priorities across local authorities (e.g. primary/secondary balance, relative deprivation funding)

• Key Question: how much do current differences in funding reflect?
  – Idiosyncratic funding differences within local authorities
  – Differences in funding priorities across local authorities
  – Differences in funding across similar local authorities
Looking to a national funding formula first...

- Difficult to get a precise answer to this question
- Can analyse how far we are from a national funding formula and work backwards
- IFS research has previously sought to model changes in funding across schools as a result of a national funding formula
- Key modelling assumptions
  - Revenue neutral
  - Based on factors likely to be used (basic, deprivation, EAL, lump sum, area costs, SEN)
  - Look for option that creates minimal level of ‘disruption’ – minimise number of big winner and big losers
Effect of ‘Low Disruption’ option, relative to 2014–15 funding under existing policy

Notes: Data shown are percentage differences between predicted funding under ‘Low Disruption’ option and expected funding levels in 2014–15 under existing policy.

Sources: For a full list of sources please see (http://www.ifs.org.uk/publications/5754)
Summary of ‘low disruption’ formula

• Significant changes across schools
  – 1 in 6 schools lose at least 10%; 1 in 10 gain at least 10%
• Disruption likely to be concentrated in particular local authorities
Regional effect of ‘Low Disruption’ option

Changes in funding by local authority

Spread of gains/losses is very wide: large changes concentrated in certain areas

Sources: For a full list of sources please see Figure 4.5 in (http://www.ifs.org.uk/publications/5754).
Regional effect of ‘Low Disruption’ option

Changes in funding by local authority

Some areas see increases for both primary and secondary schools: underfunded at present?

Other areas see reductions: overfunded?

Sources: For a full list of sources please see Figure 4.5 in main report.
Regional effect of ‘Low Disruption’ option

Changes in funding by local authority

In some areas the changes for primary and secondary schools are unrelated...

...or even offsetting. Occurs due to restriction on LAs’ relative funding ratios between secondary pupils and primary pupils.

Sources: For a full list of sources please see Figure 4.5 in main report.
Summary of ‘low disruption’ formula

• Significant changes across schools
  – 1 in 6 schools lose at least 10%; 1 in 10 gain at least 10%
  – Largely unsurprising
• Disruption likely to be concentrated in particular local authorities
  – Areas which a NFF deems under/over-funded, if a NFF allocates the ‘right’ amount of funding
  – Areas which fund primary and secondary schools with a different relative generosity to that which NFF stipulates
• Local funding formulae will not even out these differences
• No reason to believe lowest funded local authorities are the most under-funded, pattern seems largely random
Conclusions

• At present, current funding system lacks a rational basis
  – Growing variation in funding levels across similar schools
  – Previous reforms have made school funding less responsive
  – Strong case for reform

• Local funding formulae will iron out differences in funding across similar schools **within** local authorities

• Local funding formulae will not harmonise funding across similar local authorities or harmonise funding priorities

• BUT.... Local funding formulae will be very visible and may stimulate public debate

• National funding formula will still be difficult