School Funding in 2015-16 and Beyond

Luke Sibieta, 6th November 2013
Overview

• Schools spending was relatively protected for 2015-16 in the 2013 Spending Round

• Ambitious plans for a ‘National Funding Formula’ for schools starting from April 2015
  – State of the current system
  – What options are there – LA vs School Formula
  – What are the implications for school finances?
  – Important design questions
Schools Spending is relatively protected

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

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

Department for Education (DEL)
-0.9

Capital
-1.8

Resource
-1.0

Schools
0.0

Non-Schools
-3.8

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
- Local authorities have different funding formulae that give priority to a wide array of different factors
- Key features of the 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
- School funding system certainly in need of reform
- Introduction of simplified funding formulae represent step in the right direction, but differences persist in funding across similar schools
Effects of Local Funding Formulae

• Local authorities created simplified funding formula for 2013-14
  – Allowable factors: basic amounts, deprivation (FSM and/or IDACI), low-level/high incidence SEN, EAL, lump sum, and others

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

• What didn’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)
Significant variation in funding per pupil across similar local authorities

Notes: Rest of England includes Fringe Area local authorities
Sources: Department for Education Statistics; Author’s Calculations
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Sizeable differences in funding factors chosen across local authorities

KS3-Primary Ratio across LAs
Sizeable differences in funding factors chosen across local authorities

KS4-Primary Ratio across LAs
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

- Two Main Options
  1. Local Authority Level Formula – formula for allocating funds to local authorities who then use their own formulae
  2. School-Level Formula – single national formula allocating funds to all schools in England

- In either case, a lengthy transition will be desirable
(1) Implications of a local authority formula

• Allocations to all local authorities based on a formula
• Similar to situation in early 2000s when grants to local authorities were based on spending share assessments
• 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
• No reason to believe lowest funded local authorities are the most under-funded
• Similar schools in different areas could receive different levels of funding
(2) Implications of a school-level formula

• National Funding Formula would replace separate local authority formulae with one single national formula for all schools in England

• Size of gains and loses across schools will depend on:
  – The exact formula chosen!
  – Time period over which it is implemented

• IFS research has previously sought to model the implications of a hypothetical national funding formula that sought to minimise number of big winner and big losers (‘Low Disruption’)

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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 have been historically over or under funded
  – Areas which give differing levels of priority to different factors
Important questions to consider

• Is it desirable to have a different primary-secondary funding ratio across local authorities?

• With evidence pointing to high effectiveness of early intervention, is this an opportunity to rebalance funding towards earlier ages?

• Significant variation in level of deprivation funding across local authorities, should this be harmonised and combined with pupil premium?

• How should we adjust for differences in teachers pay and local labour market conditions?
Conclusions

• Schools spending relatively protected
• Other areas of DfE spending will fall by more.
• Reform of the school funding system is certainly needed
• 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