Press Release

IFS releases first analysis of proposed school funding reforms in England

IFS researchers have provided the first detailed assessment of the Government’s ambitious plans to reform school funding in England – the Government itself having failed to quantify the likely effects of the proposals on which it has consulted.

The research shows that, after years of failure to develop and implement rational reform, the current system continues to allocate money in ways which mean that similar schools can receive very different amounts. Inevitably reforms, including those proposed by the Government, would involve significant disruption for schools, creating large numbers of financial winners and losers. Even under a reform that sought to minimise the amount of disruption, roughly one in six schools would see cuts in funding of 10% or more compared with existing policy, while one in ten schools would see their funding increase by 10% or more. Other key findings are that:

- Given the magnitude of the financial implications, any reform would have to be introduced gradually over a long period of time. Transition periods of less than a decade will involve significant, sustained losses for some schools. For example, a transition period of six years would require some schools to incur annual cash-term losses in funding of up to 5%.

- The effects will be concentrated in particular local authorities. Under potential reforms considered in the report, schools in Liverpool, Wigan, Coventry, Wolverhampton and North East Lincolnshire would be deemed significantly overfunded at present, and would therefore see the largest losses, on average. Meanwhile, in Islington, Derbyshire and Warwickshire, schools would be deemed underfunded and thus benefit the most. On the surface, these local authorities appear to share little in common, perhaps reflecting the random nature of anomalies in the current funding system. In other parts of the country, primary schools would see reductions in funding but secondary schools would not, or vice versa; this would be an inevitable consequence of restricting all local authorities to the same relative generosity between primary school and secondary school funding.

- Given its inevitable impact on school funding levels, any national funding formula must be designed extremely carefully. The proposals set out in the Government’s most recent consultation would divert funding from secondary to primary schools. If this is unintended, the formula should be modified to recognise that current funding is geared strongly towards secondary schools.

Under the current system, schools receive the bulk of their funding via local authorities, which each set their own funding formula. The Department for Education (DfE) proposes to simplify this by calculating each school’s funding level centrally according to one formula. There would then be limits on the
ability of local authorities to vary these amounts. Such a reform would represent the largest change to the school funding system in over 20 years.

Today's report examines specific options for this reform and their financial implications. The analysis is based on DfE's own data, yet no such analysis was published by DfE in either of its consultations on school funding reform. This report therefore provides the only in-depth assessment to date of the proposed reforms to school funding.

Last year, most primary schools received between £3,000 and £6,000 per pupil, while most secondary schools received between £4,000 and £7,000. While most of this variation occurs because schools differ in their characteristics, schools in similar circumstances can often receive different levels of funding. This largely occurs because different local authorities take into account different factors, and fund particular types of schools differently. Schools' and local authorities' finances also depend on historical factors, such as funding in previous years, making them less responsive to pupil needs.

In its most recent consultation on school funding (launched in July this year), the Government set out proposals to replace the myriad and complex local authority formulae with one centrally set national funding formula, leaving local authorities with less discretion to vary funding around these levels.

Today's report analyses specific options for a national funding formula and demonstrates the financial implications for different schools and areas of the country.

Luke Sibieta, Senior Research Economist at IFS and co-author of the report, said:

"There is little doubt that the school funding system merits reform. An explicit national formula offers significant advantages, including simplicity, transparency and responsiveness of school funding. But change would also bring costs and disruption with large losses for some schools. If the Government believes that a national funding formula represents the ideal system, it should begin the transition soon and be more transparent about which schools and local authorities could be most affected."

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Notes to Editors:

1. For embargoed copies of the report or other queries, contact: Emma Hyman or Bonnie Brimstone at IFS: 020 7291 4800, emma_h@ifs.org.uk, bonnie_b@ifs.org.uk.

2. The Department for Education has completed two consultations on school funding reform in England in the past year. The first set out the overall principles that should guide reform of school funding, emphasising the need for a simpler and fairer system. The second made specific proposals and sought views on how a national funding formula for schools should be designed. The Department is yet to publish its response to the second consultation.

3. The authors are grateful to the Esmée Fairbairn foundation for funding this work (grant number 11/0357) and to the Economic and Social Research Council for providing support through the Centre for Microeconomic Analysis of Public Policy (grant number RES-544-28-0001).