Addressing challenges and priorities in school funding

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Schools Spending in the 2016 Spending Review

- School spending in England protected in real-terms between 2015-16 and 2019-20
  - Implies real-terms cut of over 7% in spending per pupil

- Commitment to introduce a national funding formula for schools in England in 2017
  - Consult on details in early 2016
The current school funding system (and the problems)

- Central government allocates funds to local authorities, who in turn allocate funds to schools in their areas

- Results in wide variation in funding across schools and local authorities
  - Partly reflecting different characteristics of schools and areas, e.g. deprivation or cost of employing staff

- Schools with similar characteristics can receive different funding levels
  a) Discrepancy between needs and funding at local authority level
  b) Different priorities in local authority funding formulae
Wide variation in funding per pupil across LAs

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Most of variation driven by London and rest of England (mainly inner London)

School Budget per pupil (2015-16)

Non-London  Inner London  Outer London

Wide variation in funding per pupil across LAs
Some, but not all, of the rest of the variation is driven by social deprivation

Local authorities make different choices
E.g. Differences in ratio of basic amount provided for pupils aged 11-14 and primary school pupils.

Notes and Source: Shows ratio of basic amount provided for pupils in Key Stage 3 to basic amount provided to pupils in primary schools. Taken from Local Authority Funding Formulae for 2014 (https://www.gov.uk/government/publications/schools-block-funding-formulae-2014-to-2015)
The system is in need of reform

• Schools with similar characteristics can receive different funding levels
  a) Discrepancy between needs and funding at local authority level
     – No formula for allocating funds to local authorities for at least a decade
     – This type of variation is not desirable
     – But possibly not as large as one would first think
  b) Different priorities in local authority funding formulae
     – Substantial variation here
     – Good use of local discretion and information?
     – Or, unjustifiable variation between similar schools in different areas?

• System is complex – weakens incentives
• Is LA-based system appropriate if all schools are Academies or Free Schools?
Plans for national funding formula from April 2017

• Two main options for 2017 formula:

1. **Local-Authority Formula**
   - Ensures local authority funding reflects differences in needs and costs
   - If April 2015 formula chosen, would imply largest cuts to inner London

2. **School-Level Formula** – single formula for all schools in England
   - Equalise differences across similar local authorities
   - Plus effects of harmonising 150 different funding formula into one
   - Creates significant numbers of winners and losers
   - Loss of local discretion
   - More in keeping with system where all schools expected to be Academies or Free Schools?
Summary

• Total school spending protected in real-terms, but still likely to be real-terms to schools spending per pupil of over 7%

• Plans for a national funding formula for schools
  – Lots of options; effects will depend on precise formula chosen
  – How much local discretion is desirable?
  – What is the best formula if all schools are Academies

• Government consultation should set out implications of different options and make plans for transitional arrangements