Funding Schools in England: Implications of a new national funding formula

Luke Sibieta, Institute for Fiscal Studies
Social Market Foundation, May 19th 2016
Outline

• Overall change in school spending over the current parliament

• How proposed reforms will change school funding system in England

• What drives the current variation in school spending?

• What are the likely effects of a national funding formula?
School spending per pupil set to fall by at least 7% in real-terms between 2015-16 and 2019-20
But following on from a very large increase over 2000s

Notes and Source: See Figure 4.1 in Belfield and Sibieta (2016), http://www.ifs.org.uk/publications/8236
The current school funding system (and its 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
Proposals for a national school funding formula

• Replace 152 different local-authority formula with a single school-level formula across England

• Likely effects of national funding formula depend on how spending currently varies across local authorities across schools

• Examine current variation across:
  – Local authorities
  – Schools
Wide variation in funding per pupil across LAs

Wide variation in funding per pupil across LAs
Most of variation driven by London and rest of England (mainly inner London)

Wide variation in funding per pupil across LAs

Some, **but not all**, of the rest of the variation is driven by social deprivation

Variation in funding per pupil now actually lower than it once was

Notes and Source: See Figure 5.1 in Belfield and Sibieta (2016), http://www.ifs.org.uk/publications/8236
And an increased share can be explained by local authority characteristics

Notes and Source: See Figure 5.8 in Belfield and Sibieta (2016), http://www.ifs.org.uk/publications/8236
Driver of current variation in school spending

- **Across Local Authorities**
  - Large spread of spending per pupil across areas
  - Nothing new about this
  - Large and increasing shared explained by area characteristics
  - Minor source of differences in spending per pupil across similar schools
Variation across schools much larger than across LAs
And is increasing over time...

Notes and Source: See Figure 5.1 and 5.2 in Belfield and Sibieta (2016), http://www.ifs.org.uk/publications/8236
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)
Rise in funding targeted at most deprived schools
Varies across local authorities, but not in a systematic manner

Notes and Source: See Figure 5.5 in Belfield and Sibieta (2016), http://www.ifs.org.uk/publications/8236
Driver of current variation in school spending

• Across Local Authorities
  – Large spread of spending per pupil across areas
  – Nothing new about this
  – Large and increasing shared explained by area characteristics
  – Minor source of differences in spending per pupil across similar schools

• Across schools
  – Variation in spending per pupil increasingly driven by variation within local authorities
  – Different choices in funding formulae (primary/secondary, deprivation)
  – Much larger source of variation in spending per pupil across similar schools
Government proposals for national funding formula

- Two stage consultation launched in March 2016
  - Stage 1: Structure and principles (closed April 17, 2016)
  - Stage 2: Set out the actual formula levels and how different schools/areas will be affected (no timetable yet)

- Main proposals for reform
  - Replace 152 different local-authority level formula with a single school-level formula
  - ‘Hard’ school-level formula will operate from 2019-20
  - Gradual transition phase starting from 2017-18
  - Minimum funding guarantee operating throughout
  - Separate reform of high-needs and early years funding systems
Long-term effects of a school-level formula

• Will ensure schools in similar circumstances receive similar levels of funding per pupil

• Movement of funding from ‘over-funded’ to ‘under-funded’ areas

• Harmonisation of formula factors across local-authorities
  – Likely to be the most significant change

• Funding will be predictable & adjust to changes in school circumstances

• Loss of local discretion
Getting there in the short-term (1)

• Transition begins in 2017-18
  – Shadow school-level formula applied to all schools in England
  – Minimum Funding Guarantee applied to shadow allocations
  – Local Authorities receive sum of allocations for schools in their area

• Will redistribute funding across areas and begin to ensure similar areas receive similar levels of funding

• Local authorities continue to use own formula in 2017-18 and 2018-19
Getting there in the short-term (2)

• Movement to ‘hard’ school-level formula in 2019-20

• Will remove differences in funding across schools that currently result from different choices made by local authorities
  – Potentially much larger change

• Level and profile of minimum funding guarantee will be crucial
  – Determines how much schools can lose and gain each year
  – Determines speed at which all schools move to new formula allocation
  – Flat cash-terms funding per pupil means cash-terms gains need to be funded by cash-terms losses elsewhere
Summary

• Plans for national funding formula will represent substantial change to the school funding system
  – Replace 152 LA funding formulae with one single formula across England
  – Will lead to some changes in funding across area
  – Much bigger changes WITHIN local authorities

• Devil will be in the detail
  – Level of different factors
  – Level of the Minimum Funding Guarantee