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

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Social Market Foundation, May 19<sup>th</sup> 2016

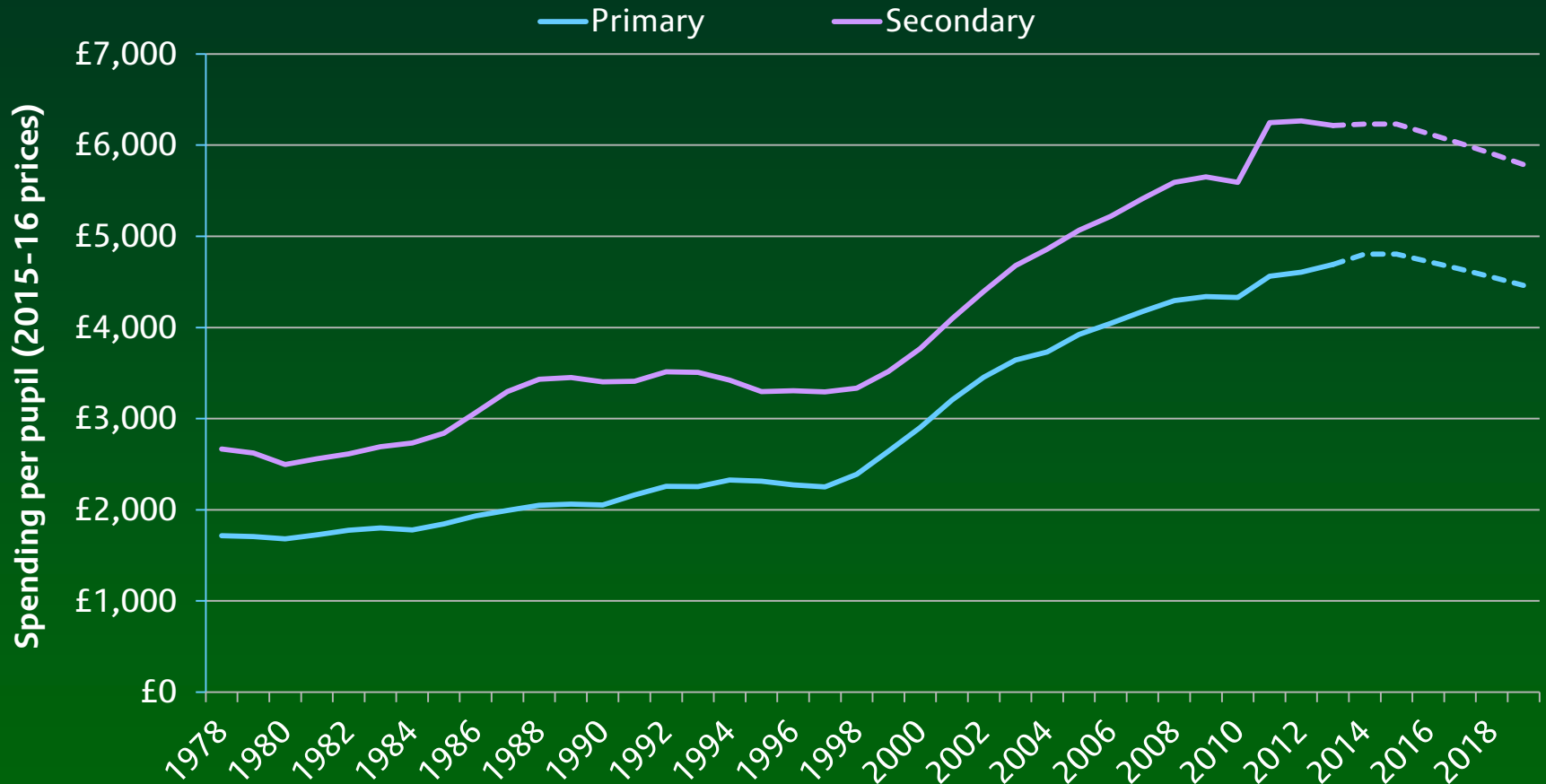


# Outline

- 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>

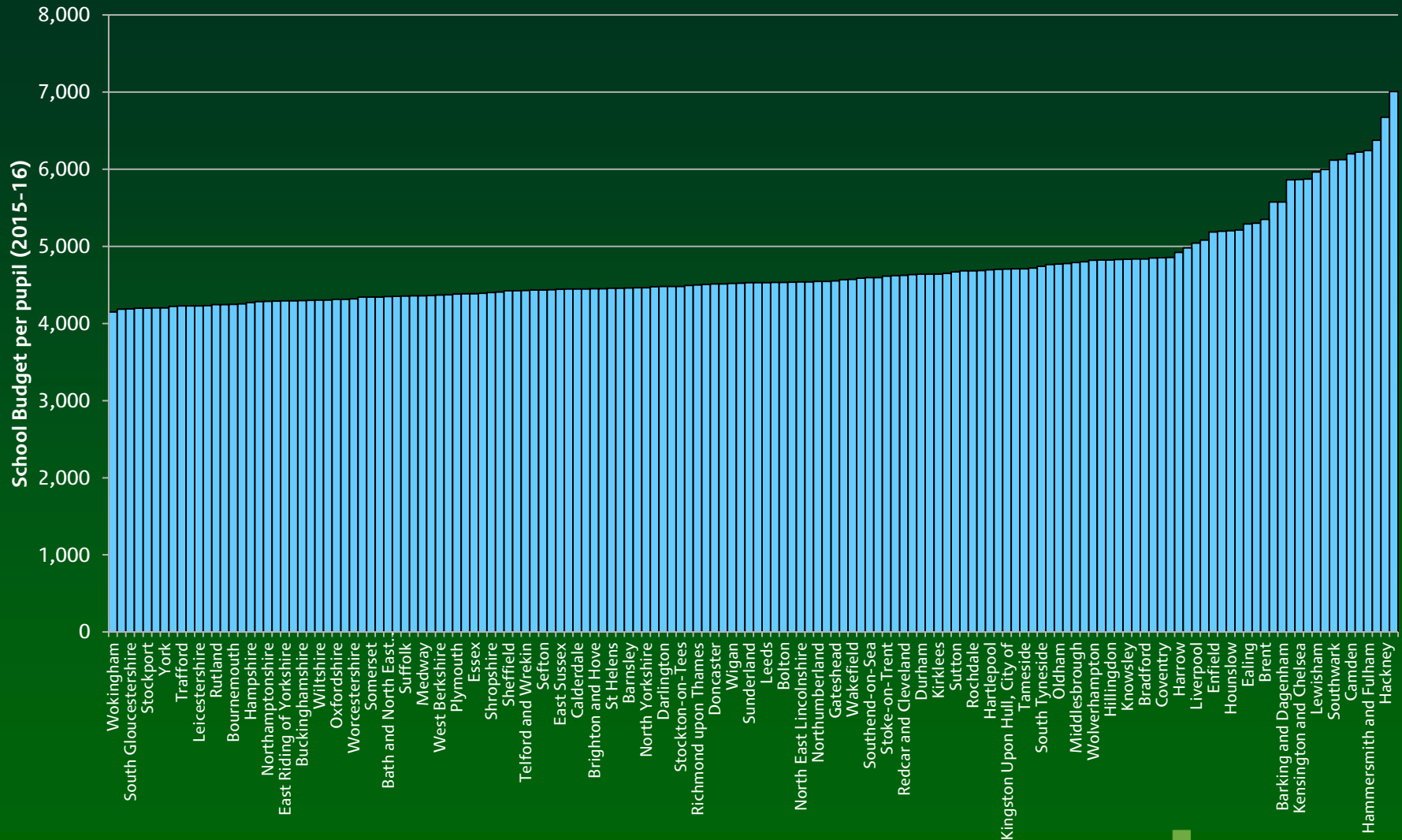
# The current school funding system (and its problems)

- 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

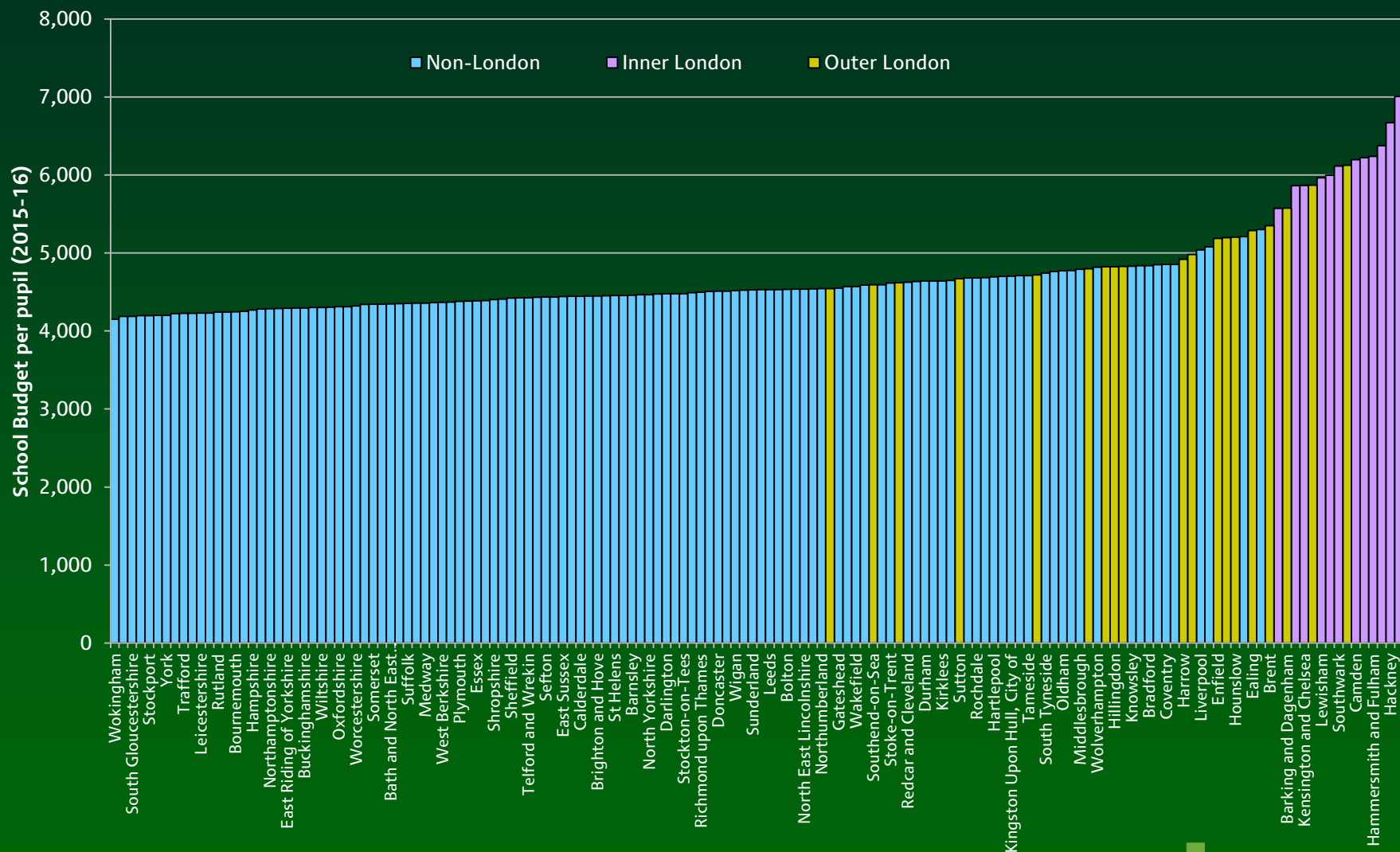
# Wide variation in funding per pupil across LAs



Notes and Source: School budget per pupil relates to schools block unit of funding in 2015-16 (<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2015-to-2016>); Proportion of pupils eligible for FSM taken measured in January 2015 (<https://www.gov.uk/government/statistics/schools-pupils-and-their-characteristics-january-2015>).

# Wide variation in funding per pupil across LAs

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

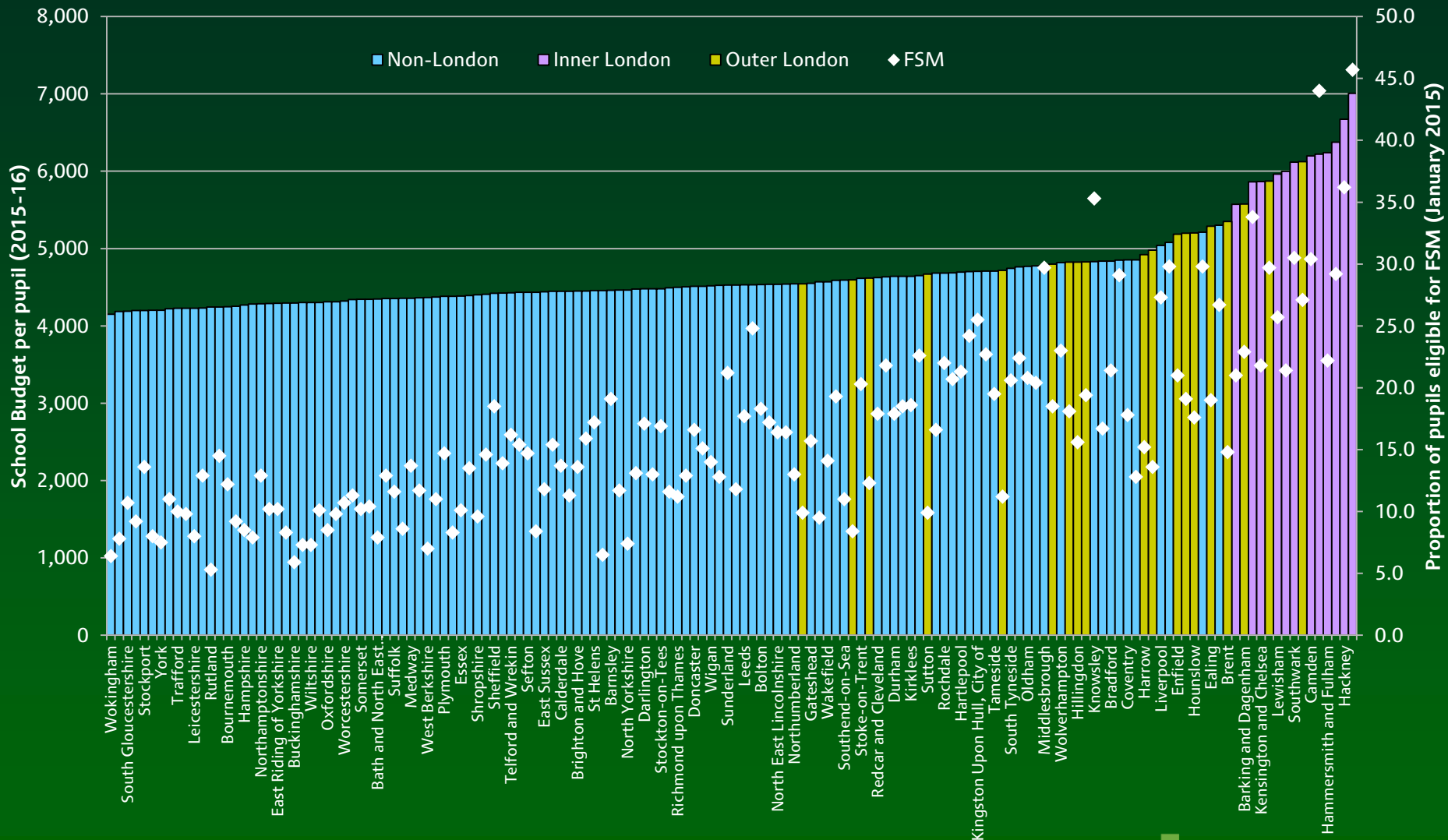


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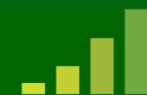


# Wide variation in funding per pupil across LAs

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



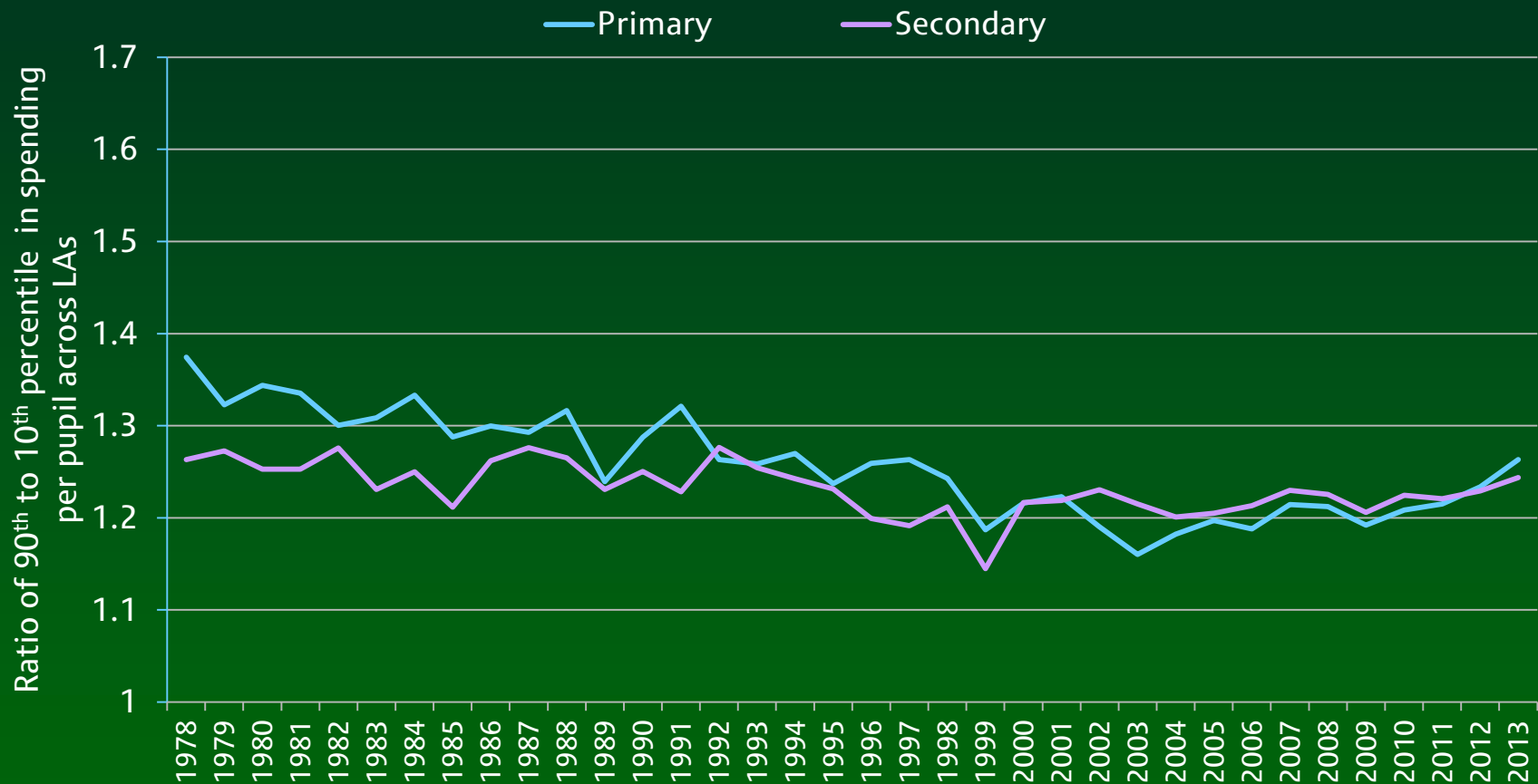
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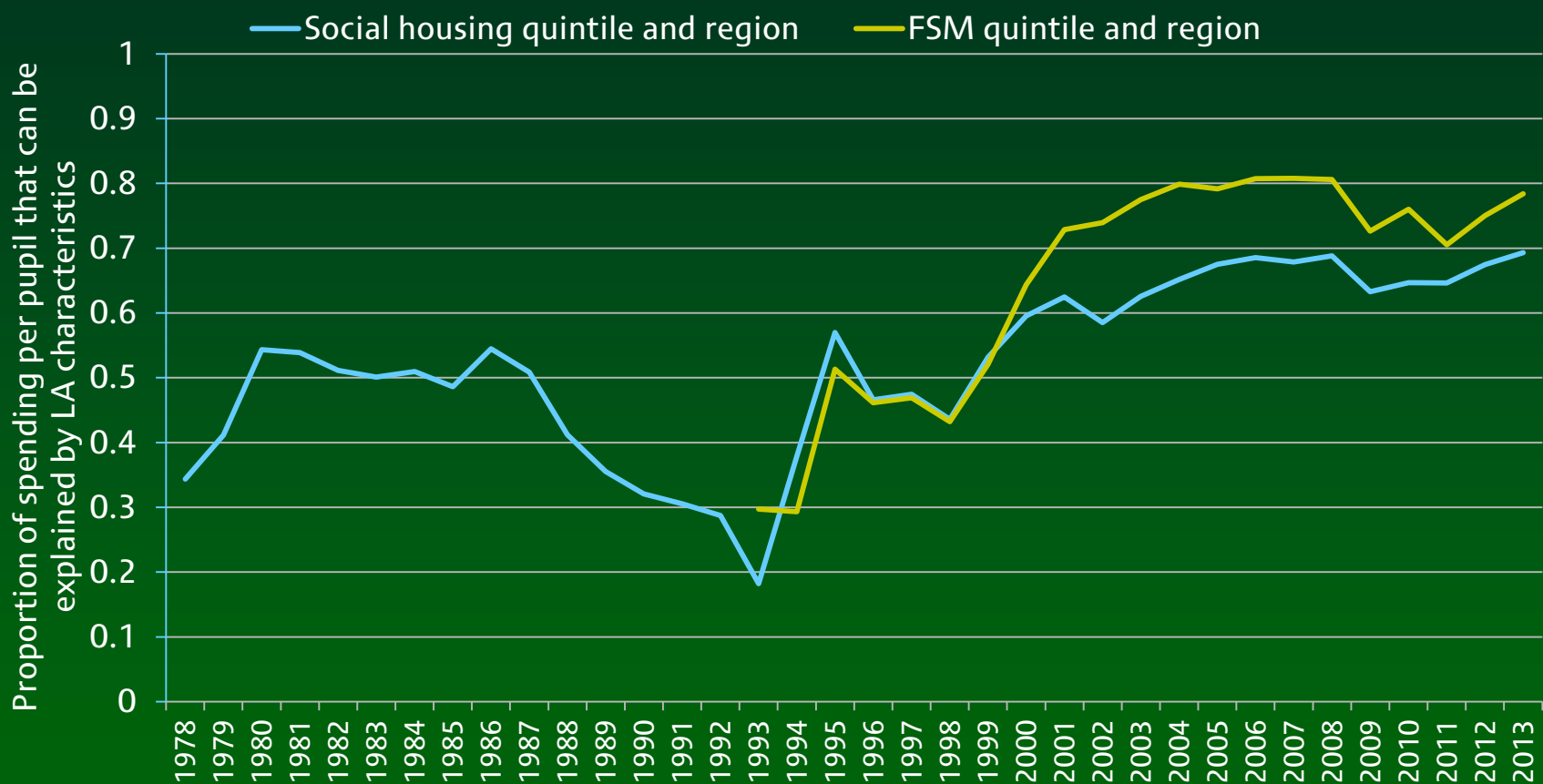


# Variation in funding per pupil now actually lower than it once was



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



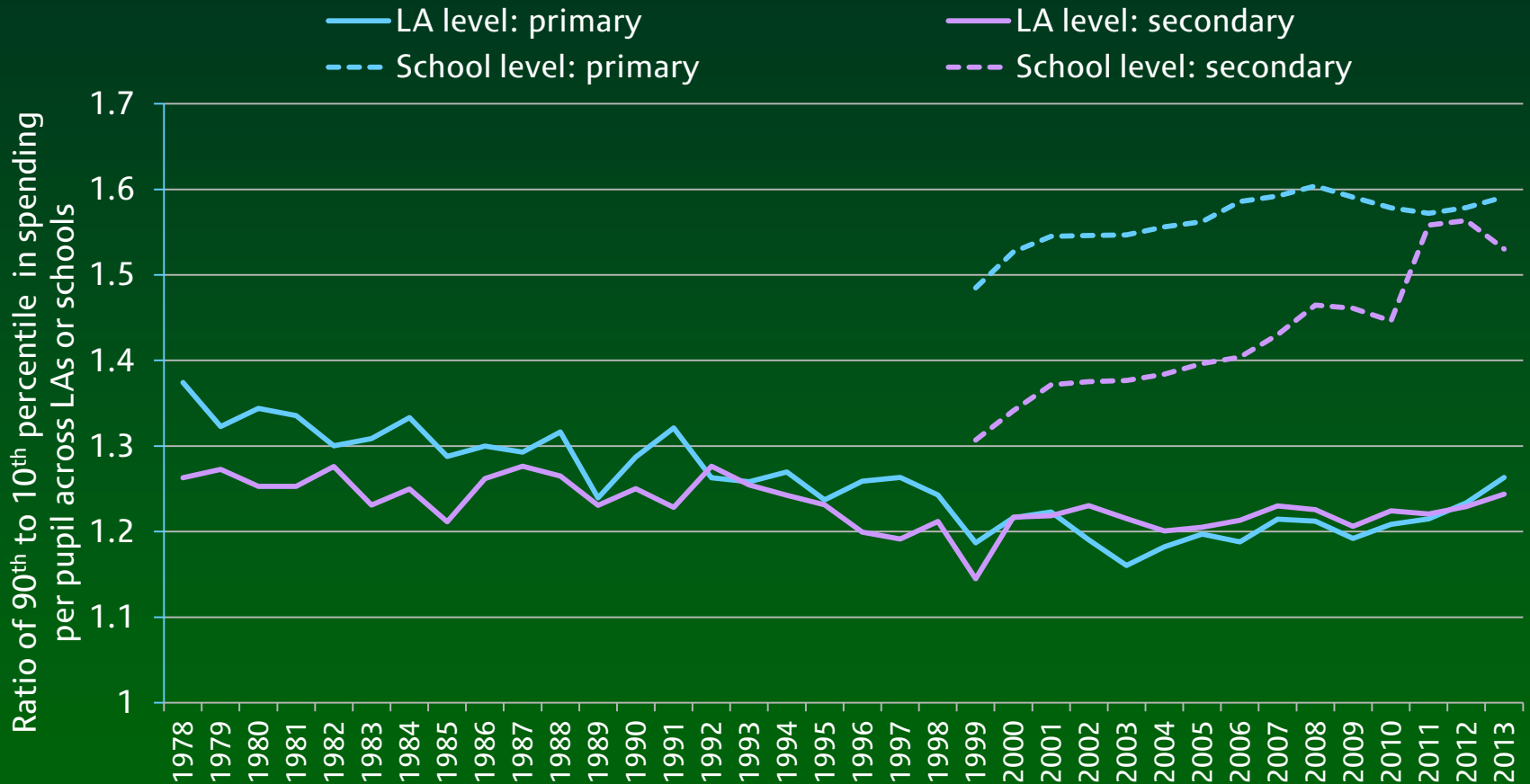
Notes and Source: See Figure 5.8 in Belfield and Sibieta (2016), <http://www.ifs.org.uk/publications/8236>

# 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

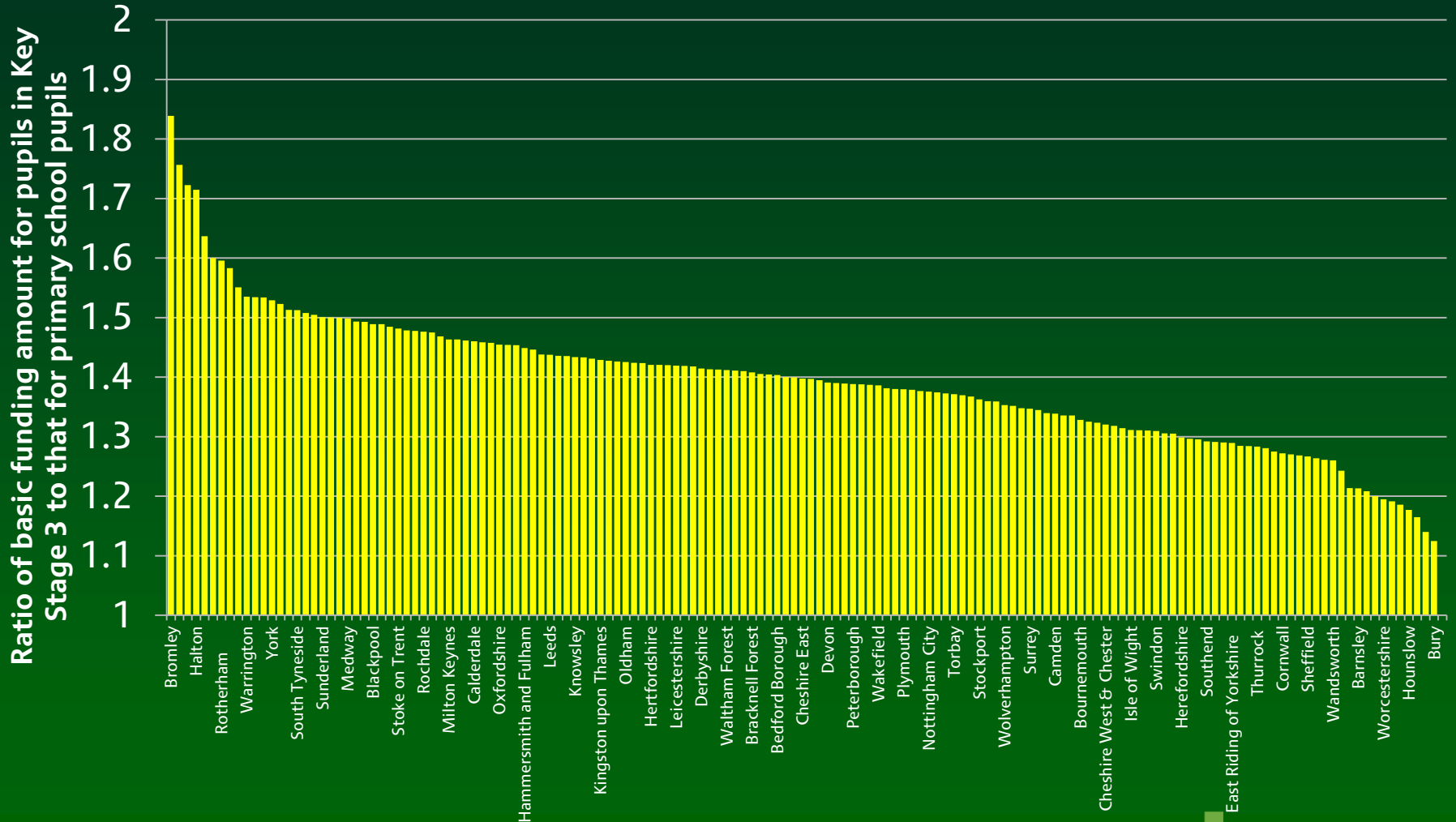
And is increasing over time...



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

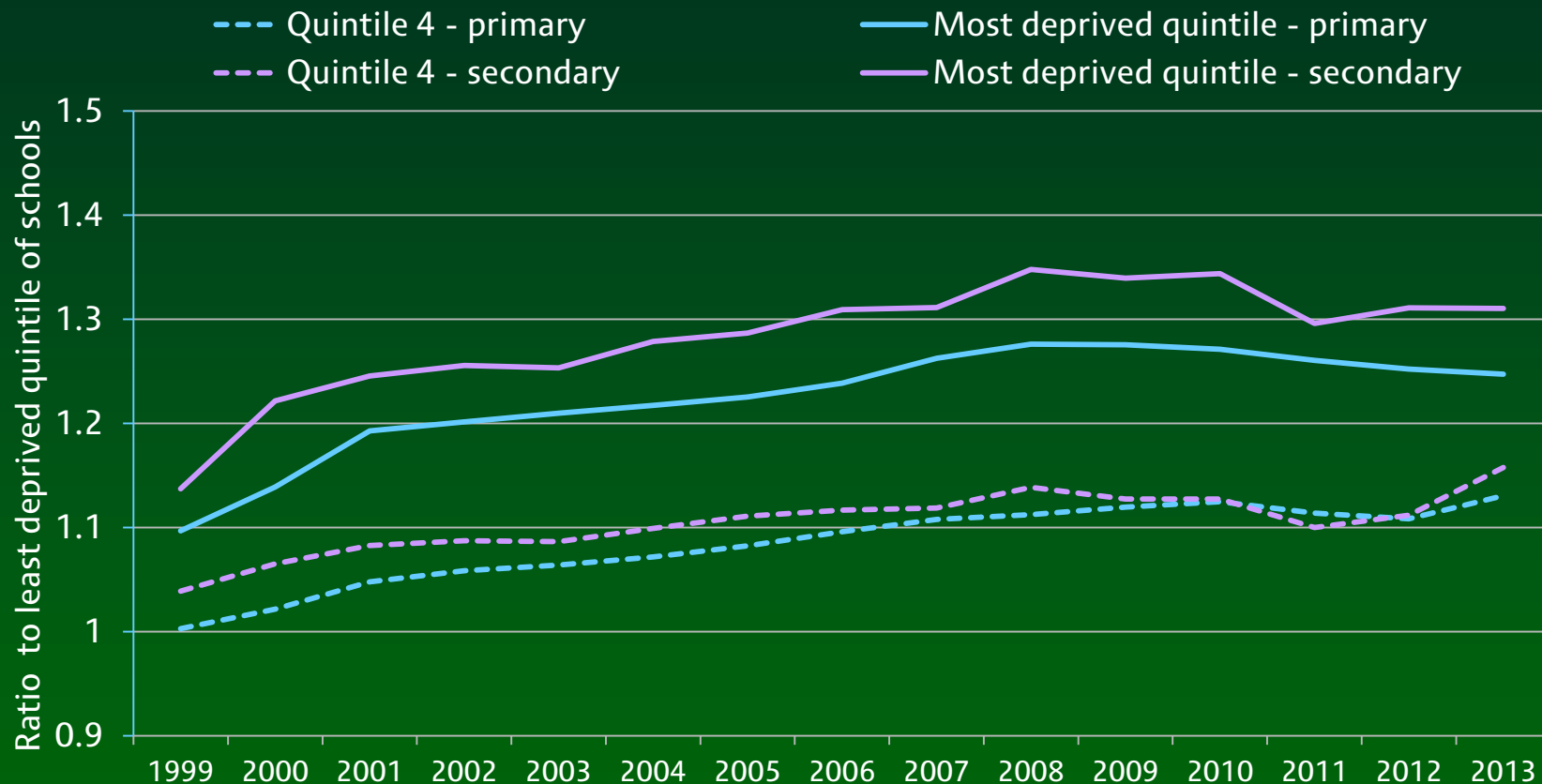
E.g. Differences in ratio of basic amount provided for pupils aged 11-14 and primary school pupils.



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