



Institute for
Fiscal Studies

School Funding Reform

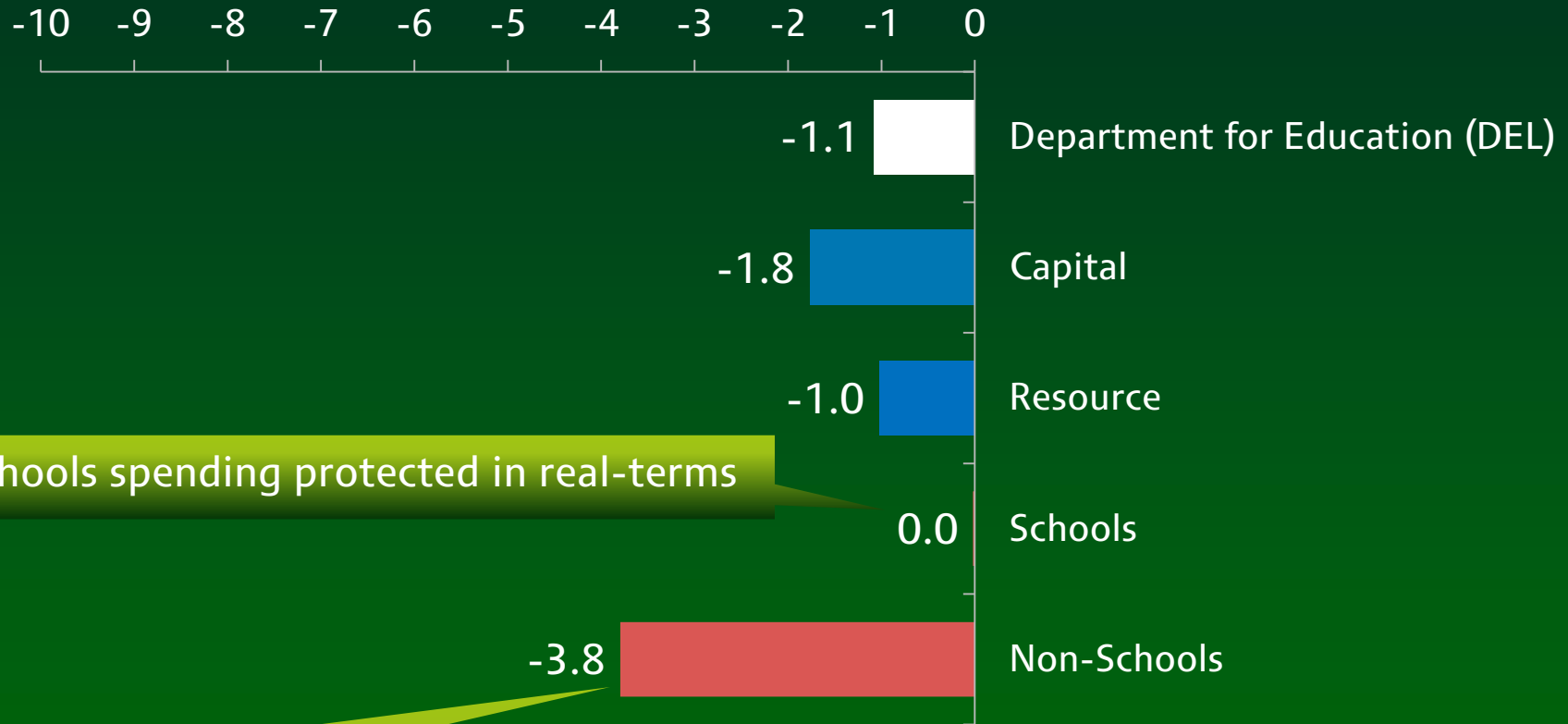
Luke Sibieta, 27th June 2013

Overview

- Key Announcements in Spending Round 2013:
 - Frontline schools spending maintained in real terms
 - Plans for a ‘National Funding Formula’ for schools in England from 2015-16
 - Changes to system of student support
- Previous IFS research has done work
 - School funding reform (<http://www.ifs.org.uk/publications/5754>)
 - Higher education finance (<http://www.ifs.org.uk/publications/6429>)

Schools Spending is relatively protected

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



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
- Each local authority receives grant from central government
 - Basically determined as what you got last year plus a bit extra
- Each local authorities then uses its own funding formula
- Key features of the current 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
- Some simplification of the system took effect from 2013

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
- We understand that it will operate at a local authority level and will seek to preserve extra funding for deprivation
- 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
- Lowest funded local authorities are not necessarily the most under-funded

Savings from student support system

- Chancellor announced cash freeze in maximum maintenance grant in 2015-16 (saving £60m)
- Eligibility threshold frozen at £25,000
 - Frozen in cash-terms since 2008-09
 - Amounts to a real-terms cut of over 20% relative to CPI
- National Scholarship Programme re-focused on postgraduates from disadvantaged backgrounds and reduced to £50m in 2015-16
 - Saving of £100m

Conclusions

- Schools spending relatively protected
- Other areas of DfE spending will fall by more.
- Introduction of national funding formula is a welcome reform and will ensure funding to local authorities has a rational basis
- 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
 - As yet unknown