



Institute for  
Fiscal Studies

## ‘Fairness’ in School Funding

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# Outline

- Planned reforms and timetable
- Current School Funding System
- Simplified Local Funding Formula
- Moving to a National Funding Formula

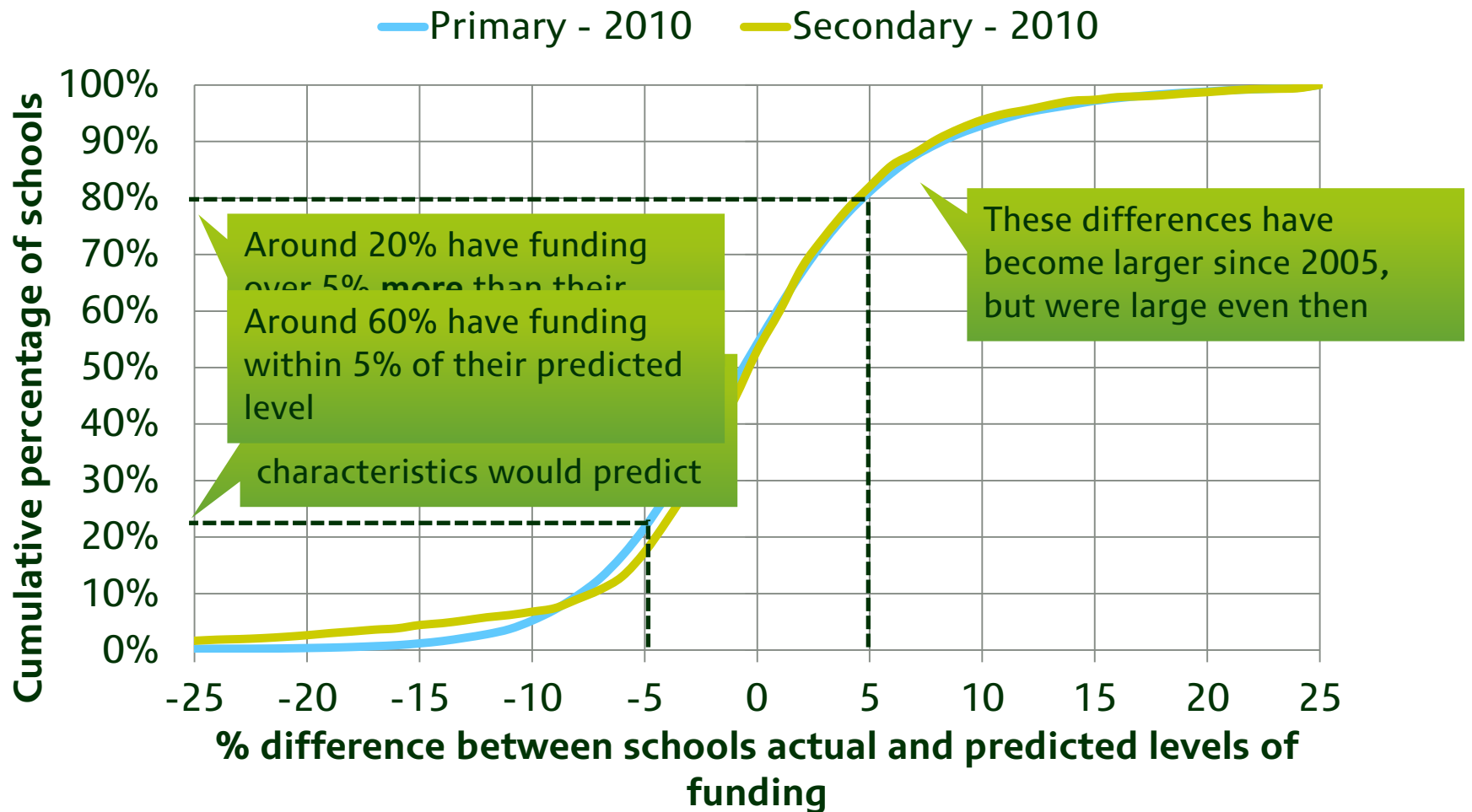
# Planned reforms and timetable

- **Coalition reforms to date**
  - Streamlining of grants into Dedicated Schools Grant
  - Cash-terms freeze of existing funding per pupil
  - Pupil Premium
  - Overall effect: small real-terms cut in total funding per pupil
- **2013-14 – Simplified local funding formula**
  - Each local authority sets new formula using allowable factors
  - Equalise funding across similar schools *within* local authorities
- **‘Next Spending Review’ – National Funding Formula**
  - One single national school funding formula for schools in England
  - Equalise school funding levels *across* local authorities

# Key features of the current school funding 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

# Differences in funding for schools with similar characteristics



Notes: Predicted funding refers to the level of funding predicted for individuals schools based on their observable characteristics, such as numbers of pupils and their different types.

Sources: For a full list of sources please see (<http://www.ifs.org.uk/publications/5754>)

# 2013-14 – Local Funding Formulae

- Local authorities in England must create their own simplified funding formula for 2013-14
  - Allowable factors: basic amounts (primary, KS3/KS4), deprivation (FSM and/or IDACI), low-level/high incidence SEN (prior attainment), EAL, lump sum, and others
- Important reforms to high needs funding and central spending
- Minimum Funding Guarantee (-1.5% per year)
- Government refers to this as paving the way for a national funding formula in the next spending review

# Local Funding Formulae

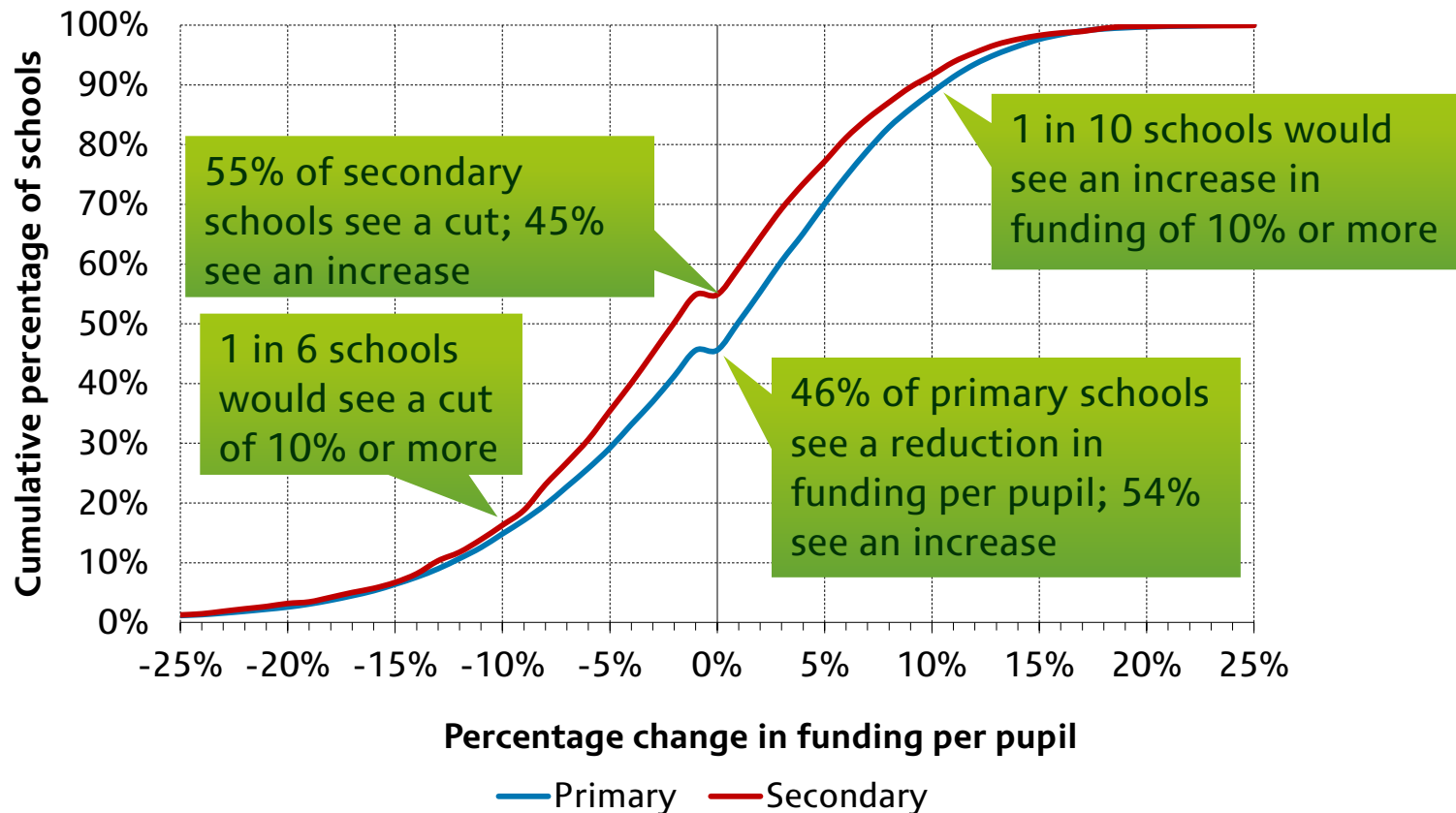
- What will this reform achieve?
  - Harmonise differences in funding across similar schools within local authorities
- What won't it achieve?
  - Will not harmonise differences in funding across similar local authorities
  - Will not harmonise relative funding priorities across local authorities (e.g. primary/secondary balance, relative deprivation funding)
- Key Question: how much do current differences in funding reflect?
  - Idiosyncratic funding differences within local authorities
  - Differences in funding priorities across local authorities
  - Differences in funding across similar local authorities

# Looking to a national funding formula first...

- Difficult to get a precise answer to this question
- Can analyse how far we are from a national funding formula and work backwards
- IFS research has previously sought to model changes in funding across schools as a result of a national funding formula
- Key modelling assumptions
  - Revenue neutral
  - Based on factors likely to be used (basic, deprivation, EAL, lump sum, area costs, SEN)
  - Look for option that creates minimal level of ‘disruption’ – minimise number of big winner and big losers



# Effect of 'Low Disruption' option, relative to 2014–15 funding under existing policy



Notes: Data shown are percentage differences between predicted funding under 'Low Disruption' option and expected funding levels in 2014–15 under existing policy.

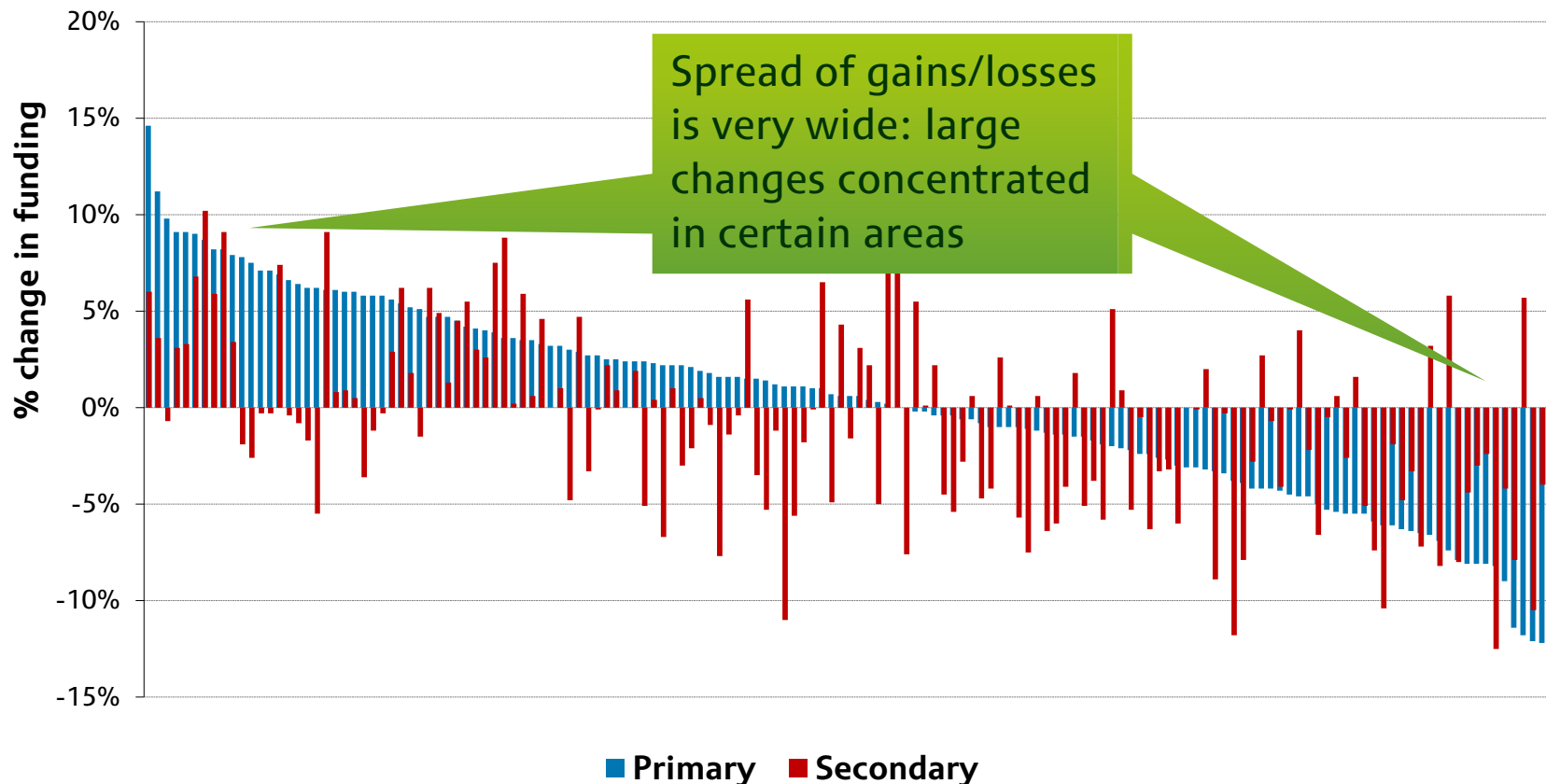
Sources: For a full list of sources please see (<http://www.ifs.org.uk/publications/5754>)

# Summary of 'low disruption' formula

- Significant changes across schools
  - 1 in 6 schools lose at least 10%; 1 in 10 gain at least 10%
- Disruption likely to be concentrated in particular local authorities

# Regional effect of 'Low Disruption' option

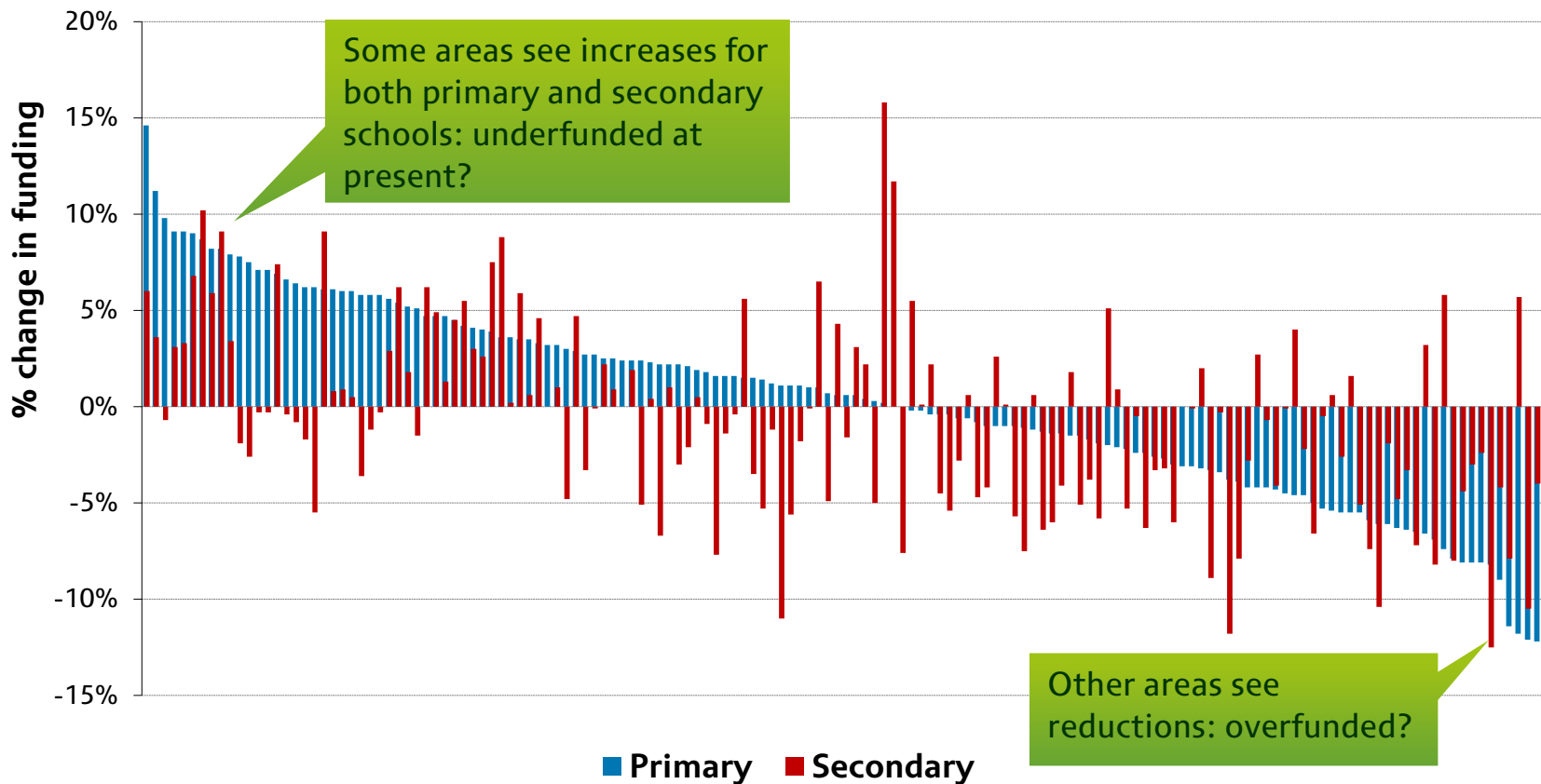
## Changes in funding by local authority



Sources: For a full list of sources please see Figure 4.5 in (<http://www.ifs.org.uk/publications/5754>).

# Regional effect of 'Low Disruption' option

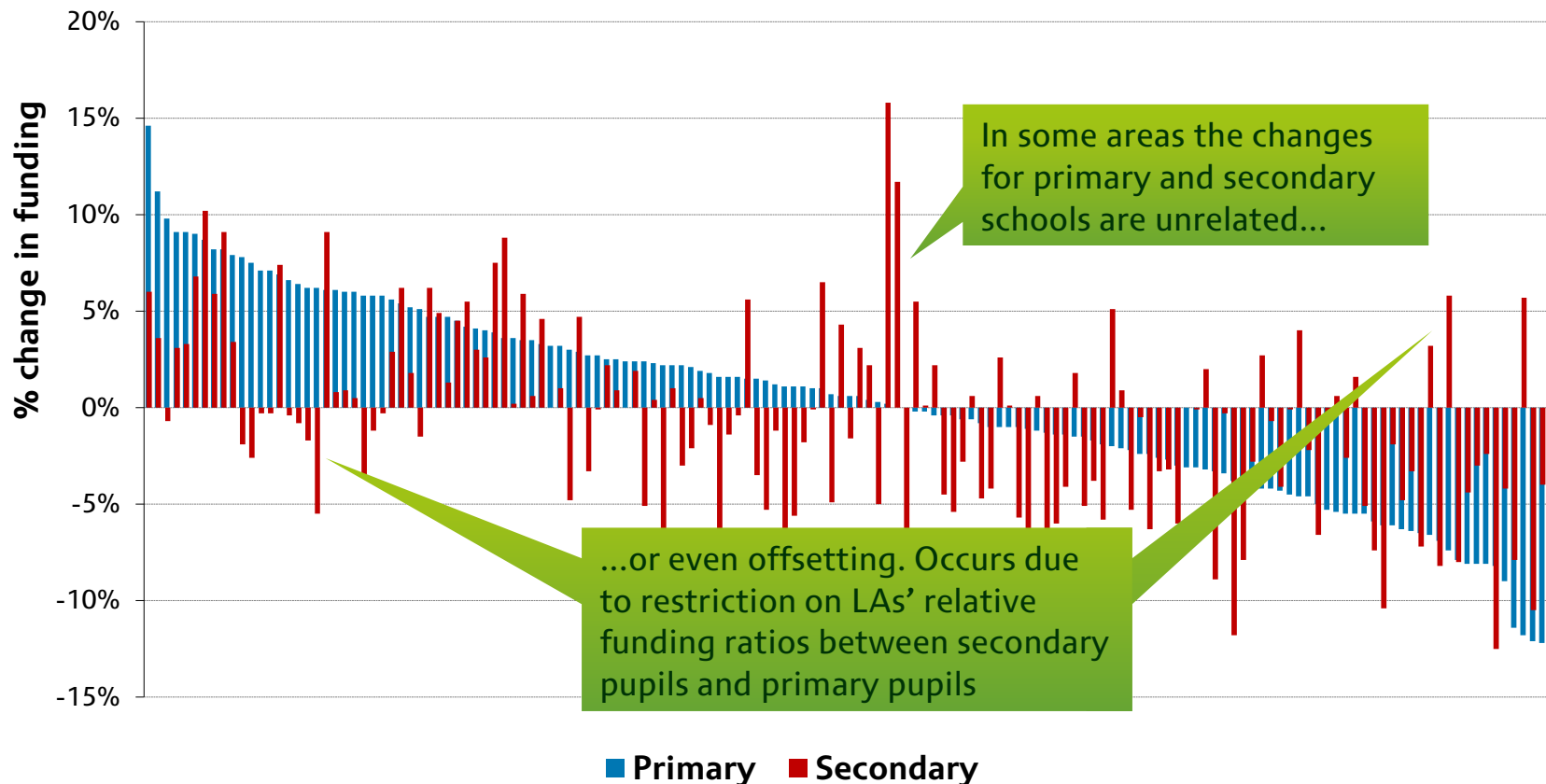
## Changes in funding by local authority



Sources: For a full list of sources please see Figure 4.5 in main report.

# Regional effect of 'Low Disruption' option

## Changes in funding by local authority



Sources: For a full list of sources please see Figure 4.5 in main report.

# Summary of 'low disruption' formula

- Significant changes across schools
  - 1 in 6 schools lose at least 10%; 1 in 10 gain at least 10%
  - Largely unsurprising
- Disruption likely to be concentrated in particular local authorities
  - Areas which a NFF deems under/over-funded, *if* a NFF allocates the 'right' amount of funding
  - Areas which fund primary and secondary schools with a different relative generosity to that which NFF stipulates
- Local funding formulae will not even out these differences
- No reason to believe lowest funded local authorities are the most under-funded, pattern seems largely random

# Conclusions

- At present, current funding system lacks a rational basis
  - Growing variation in funding levels across similar schools
  - Previous reforms have made school funding less responsive
  - Strong case for reform
- Local funding formulae will iron out differences in funding across similar schools **within** local authorities
- Local funding formulae will not harmonise funding across similar local authorities or harmonise funding priorities
- BUT.... Local funding formulae will be very visible and may stimulate public debate
- National funding formula will still be difficult