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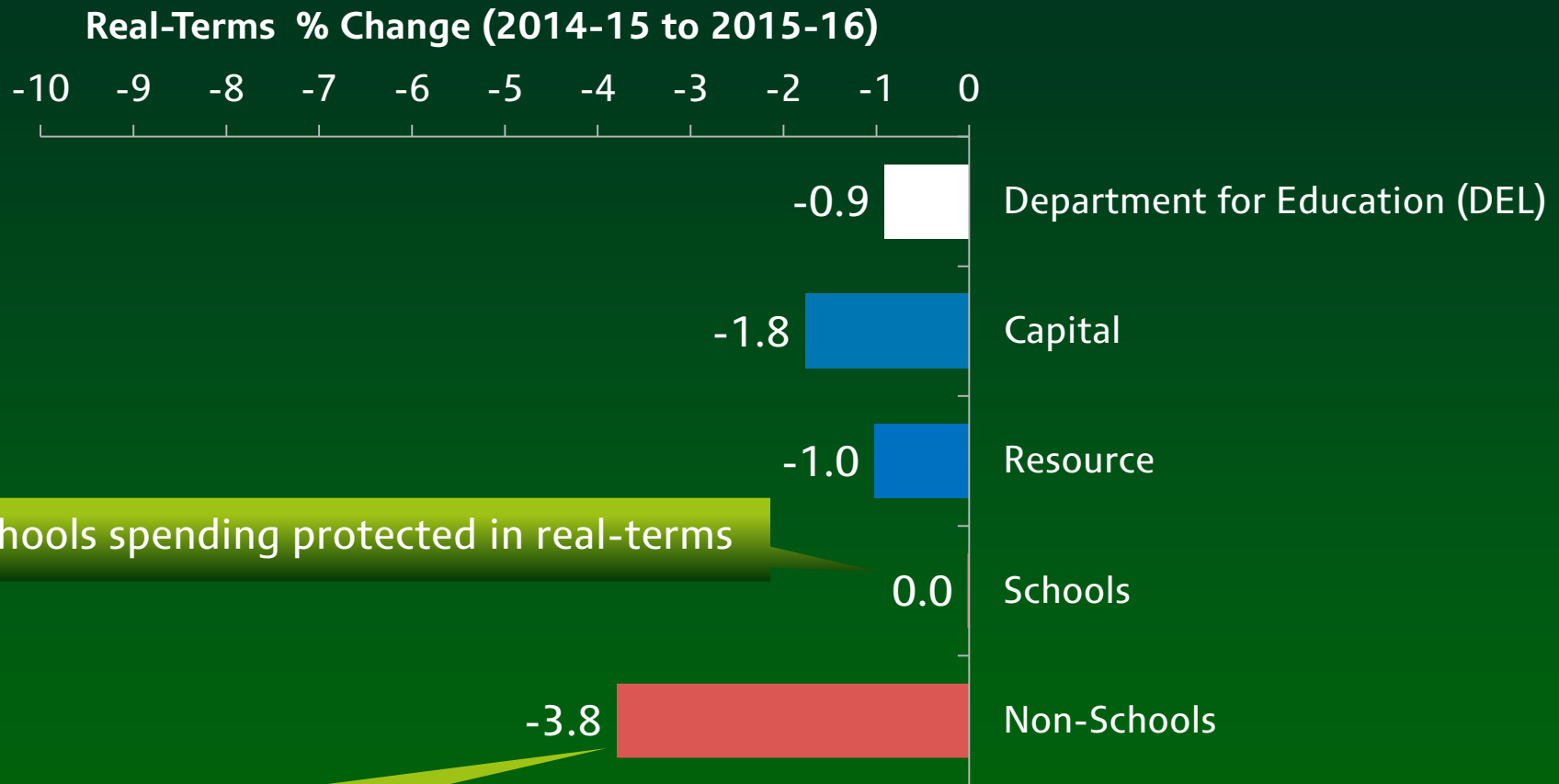
School Funding in 2015-16 and Beyond

Luke Sibieta, 6th November 2013

Overview

- Schools spending was relatively protected for 2015-16 in the 2013 Spending Round
- Ambitious plans for a ‘National Funding Formula’ for schools starting from April 2015
 - State of the current system
 - What options are there – LA vs School Formula
 - What are the implications for school finances?
 - Important design questions

Schools Spending is relatively protected



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



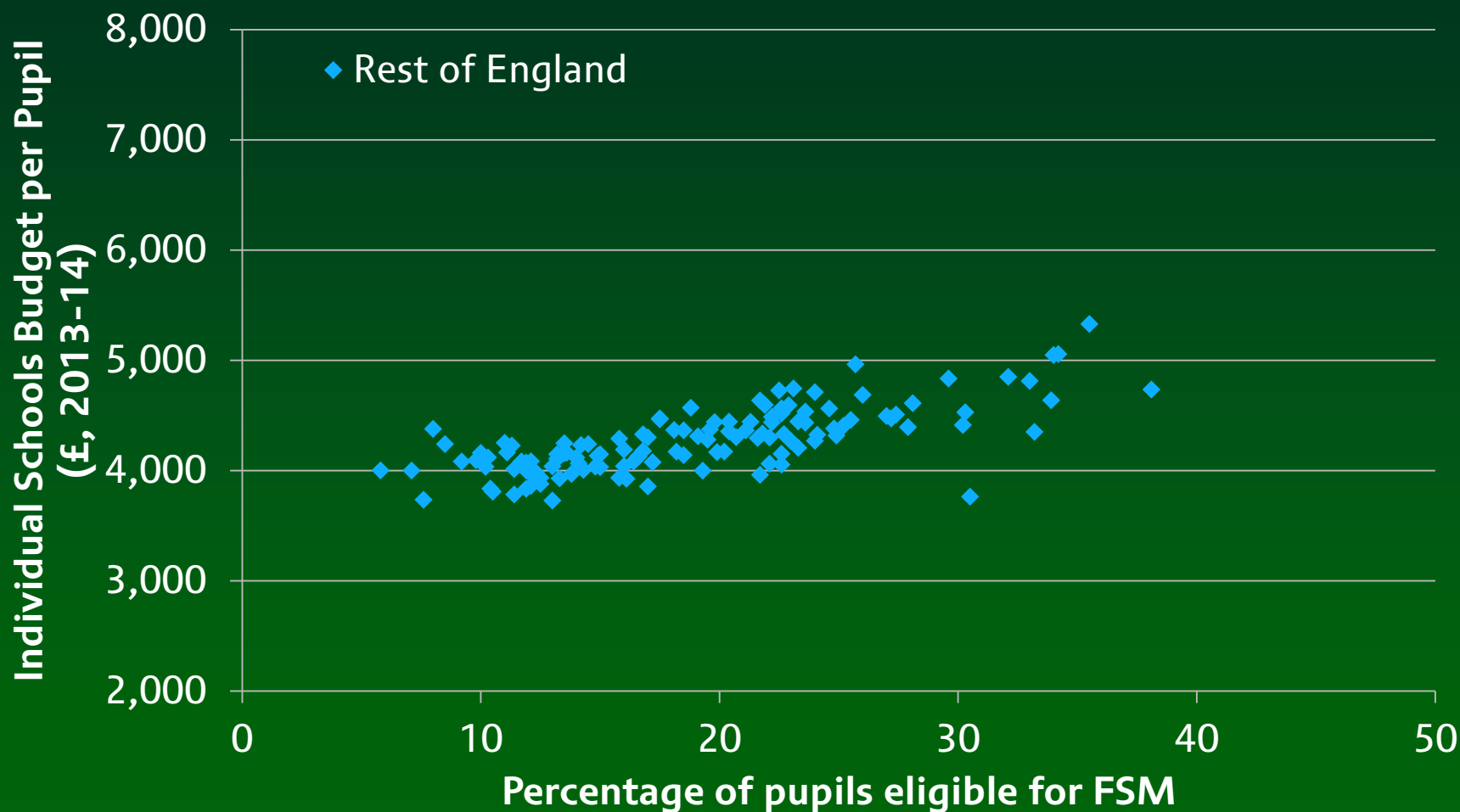
The current school funding system

- School funding currently allocated by local authorities
- Local authorities have different funding formulae that give priority to wide array of different factors
- Key features of the 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
- School funding system certainly in need of reform
- Introduction of simplified funding formulae represent step in the right direction, but differences persist in funding across similar schools

Effects of Local Funding Formulae

- Local authorities created simplified funding formula for 2013-14
 - Allowable factors: basic amounts, deprivation (FSM and/or IDACI), low-level/high incidence SEN, EAL, lump sum, and others
- What did this reform achieve?
 - Harmonise differences in funding across similar schools within local authorities
- What didn'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)

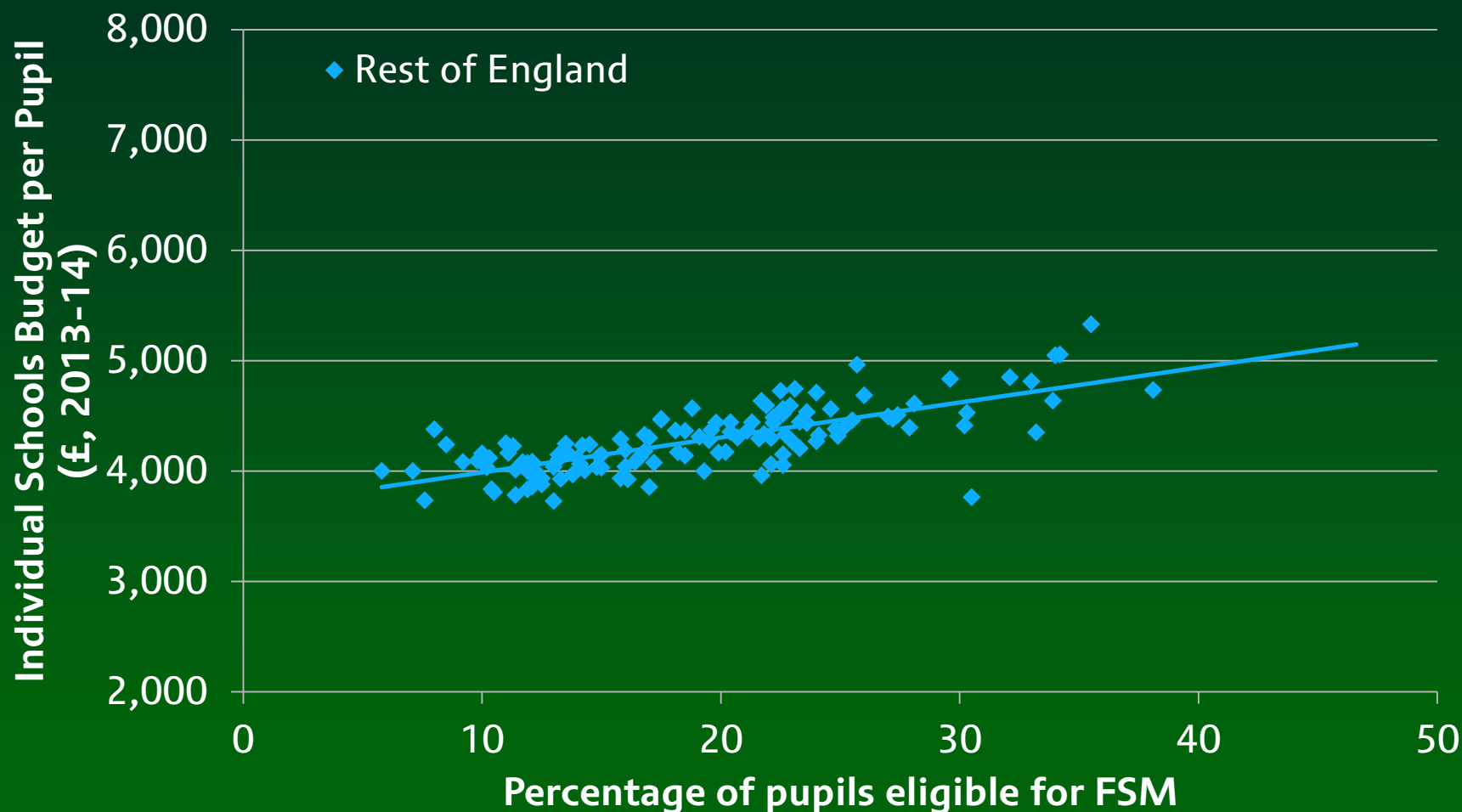
Significant variation in funding per pupil across similar local authorities



Notes: Rest of England includes Fringe Area local authorities

Sources: Department for Education Statistics; Author's Calculations

Significant variation in funding per pupil across similar local authorities



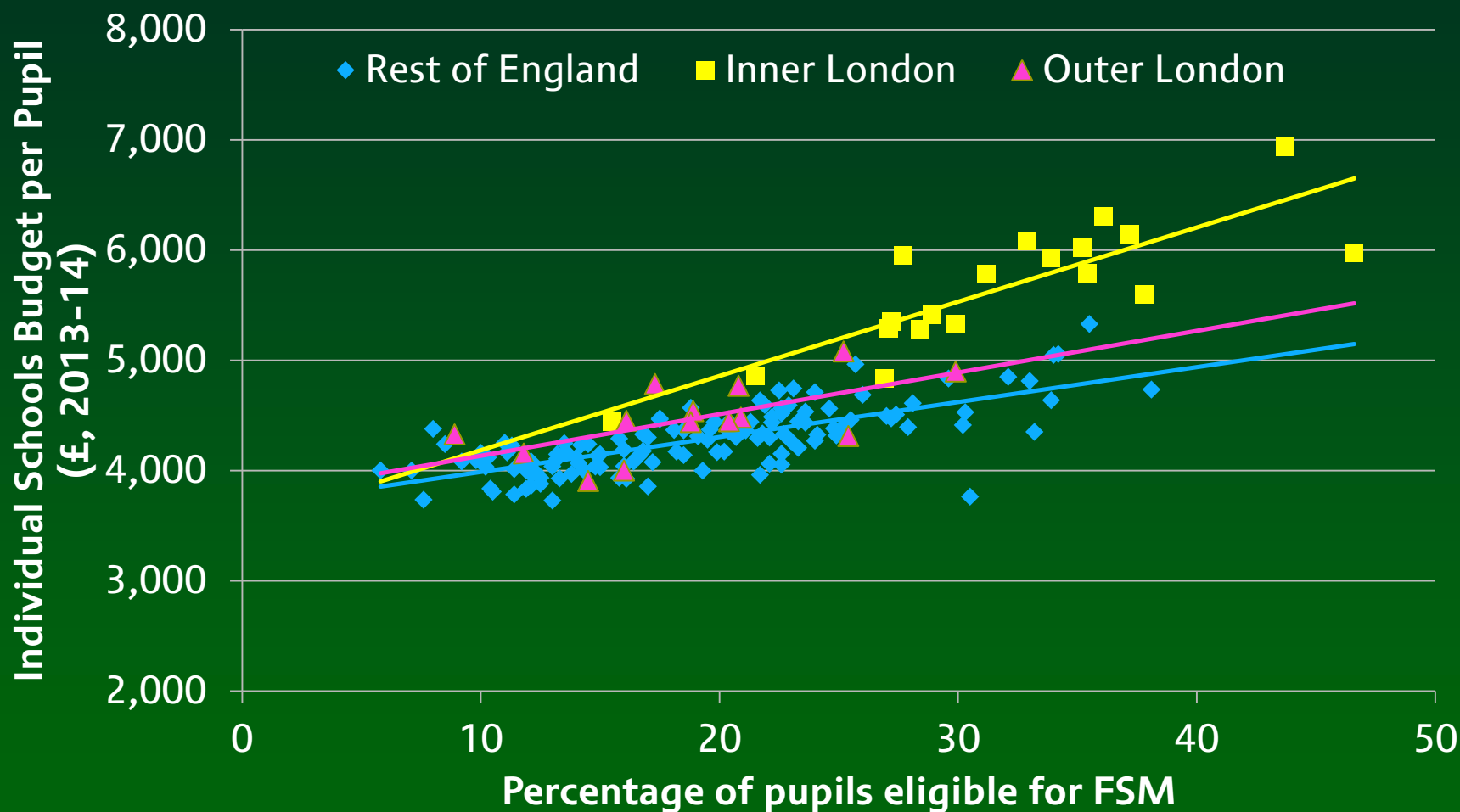
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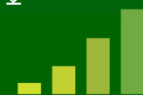
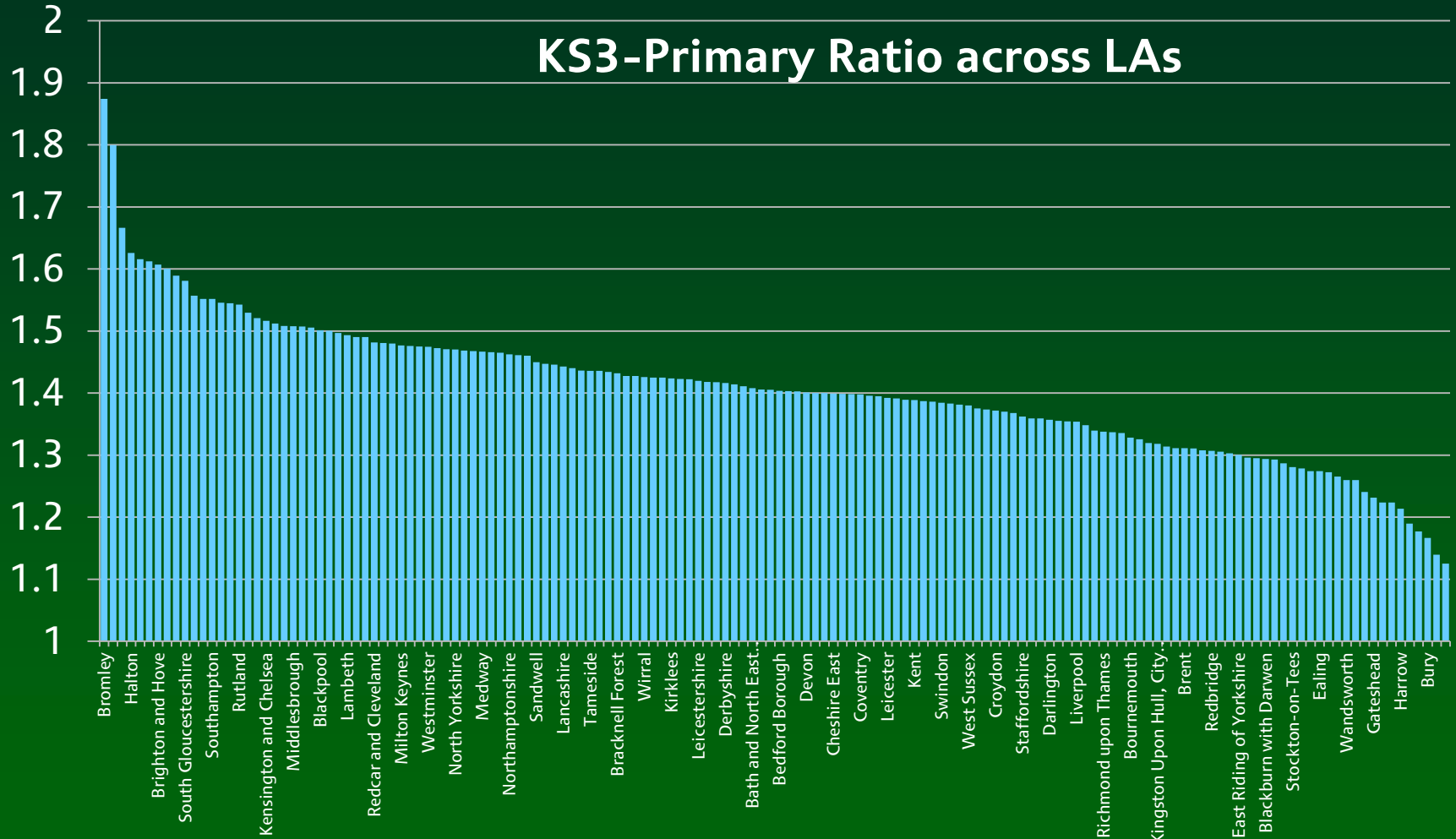
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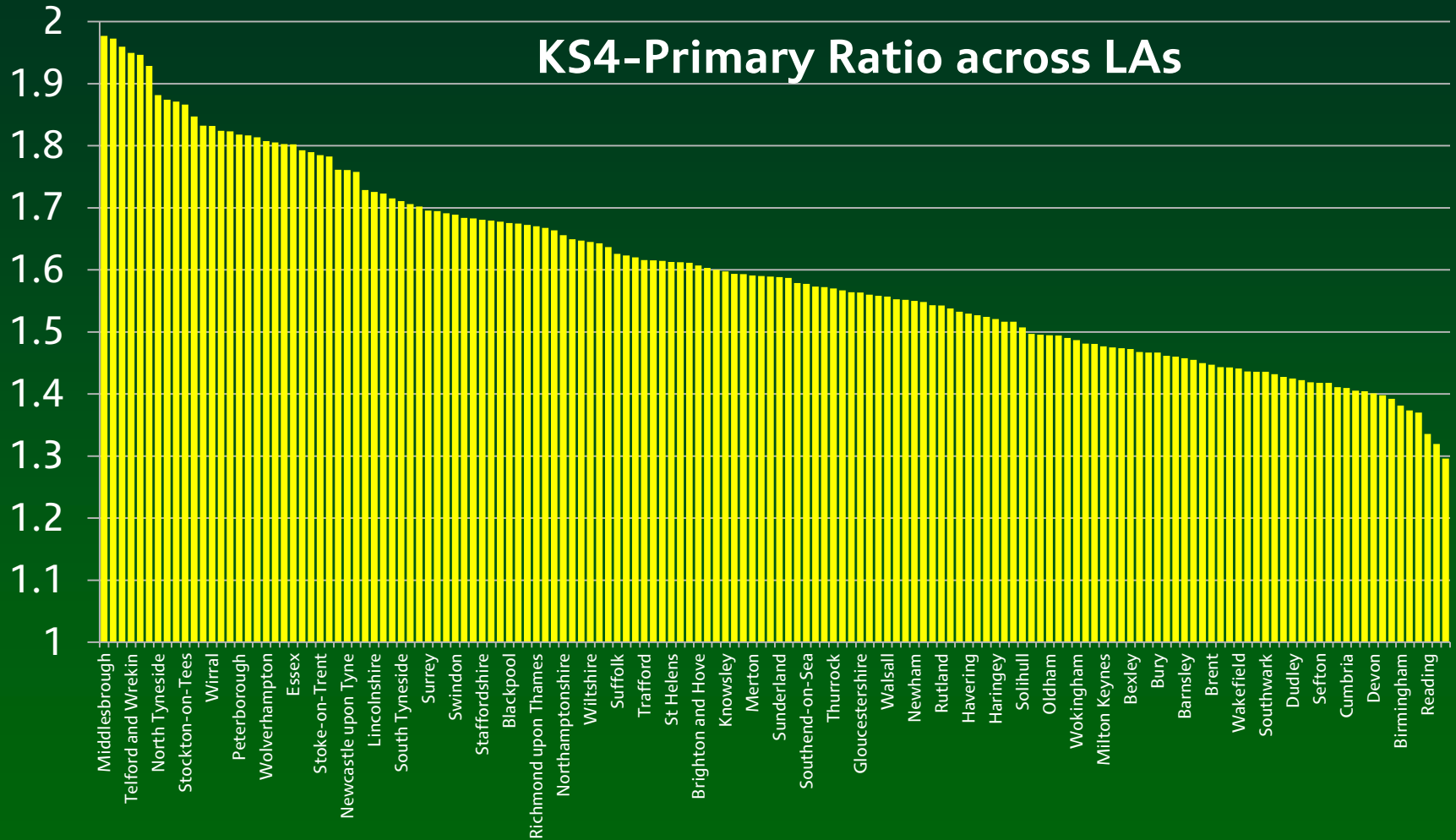


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Sizeable differences in funding factors chosen across local authorities



Sizeable differences in funding factors chosen across local authorities



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
- Two Main Options
 1. Local Authority Level Formula – formula for allocating funds to local authorities who then use their own formulae
 2. School-Level Formula – single national formula allocating funds to all schools in England
- In either case, a lengthy transition will be desirable

(1) Implications of a local authority formula

- Allocations to all local authorities based on a formula
- Similar to situation in early 2000s when grants to local authorities were based on spending share assessments
- 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
- No reason to believe lowest funded local authorities are the most under-funded
- Similar schools in different areas could receive different levels of funding

(2) Implications of a school-level formula

- National Funding Formula would replace separate local authority formulae with one single national formula for all schools in England
- Size of gains and loses across schools will depend on:
 - The exact formula chosen!
 - Time period over which it is implemented
- IFS research has previously sought to model the implications of a hypothetical national funding formula that sought to minimise number of big winner and big losers (‘Low Disruption’)

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 have been historically over or under funded
 - **Areas which give differing levels of priority to different factors**

Important questions to consider

- Is it desirable to have a different primary-secondary funding ratio across local authorities?
- With evidence pointing to high effectiveness of early intervention, is this an opportunity to rebalance funding towards earlier ages?
- Significant variation in level of deprivation funding across local authorities, should this be harmonised and combined with pupil premium?
- How should we adjust for differences in teachers pay and local labour market conditions?

Conclusions

- Schools spending relatively protected
- Other areas of DfE spending will fall by more.
- Reform of the school funding system is certainly needed
- 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