

How redistributive is the school funding system?

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Brief Outline

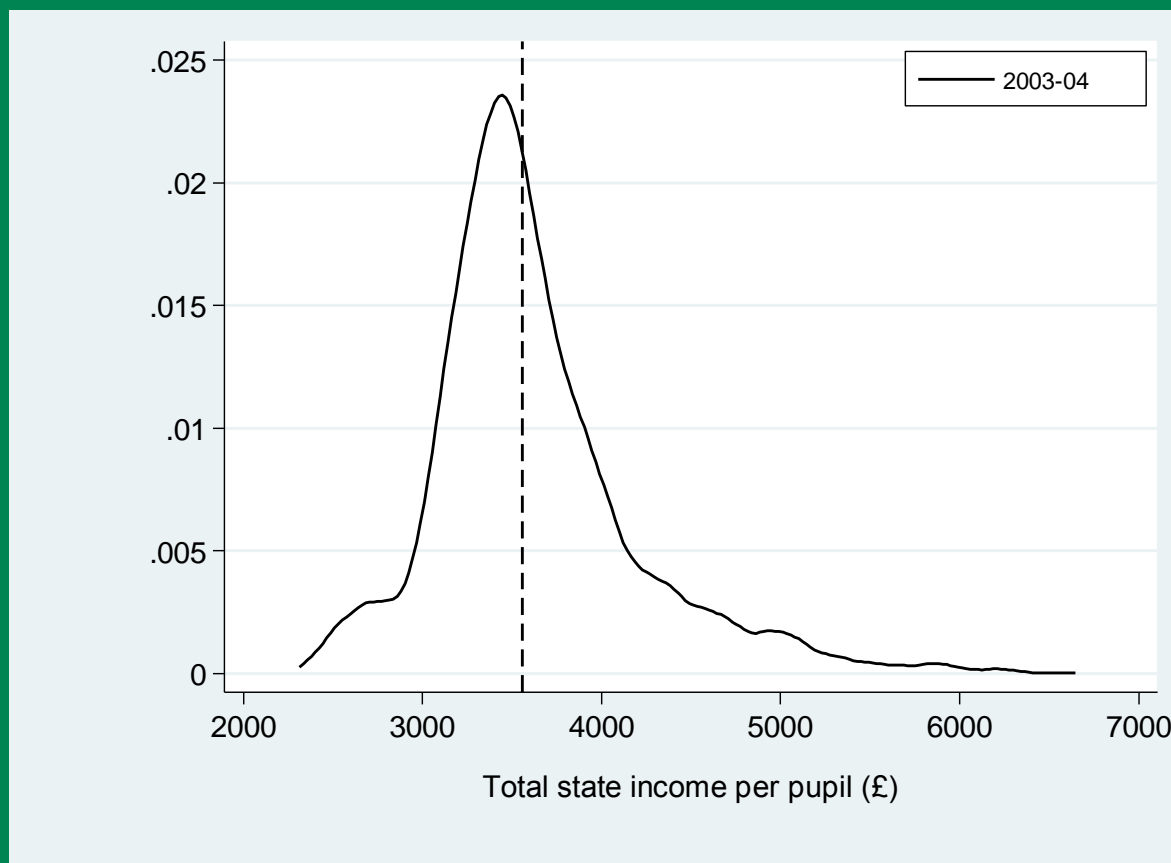
- Descriptive summary of state funding per pupil
- Is funding redistributed toward deprivation or AEN?
 - How much extra resources do schools with such pupils get?
- Focus on the additional funding for deprived pupils
 - We measure this by the ‘FSM premium’
 - How large is it and which sources of funding does it comprise?
 - How does LA discretion affect it?
- The responsiveness of funding to changes over time

State funding per pupil

- Mean school income per pupil was £3,470 in primary schools and £4,300 in secondary schools in 2006–07
 - Figures exclude capital spending
- Steady annual growth in real terms since 2003–04
 - 3.5% in primary schools, 4.3% in secondary schools
- Two general sources:
 - Allocations from LA funding formula (chosen by LA)
 - Direct government grants (passed on by LA)
- Government grants are roughly 15% of income/pupil

State funding per pupil

Distribution across secondary schools

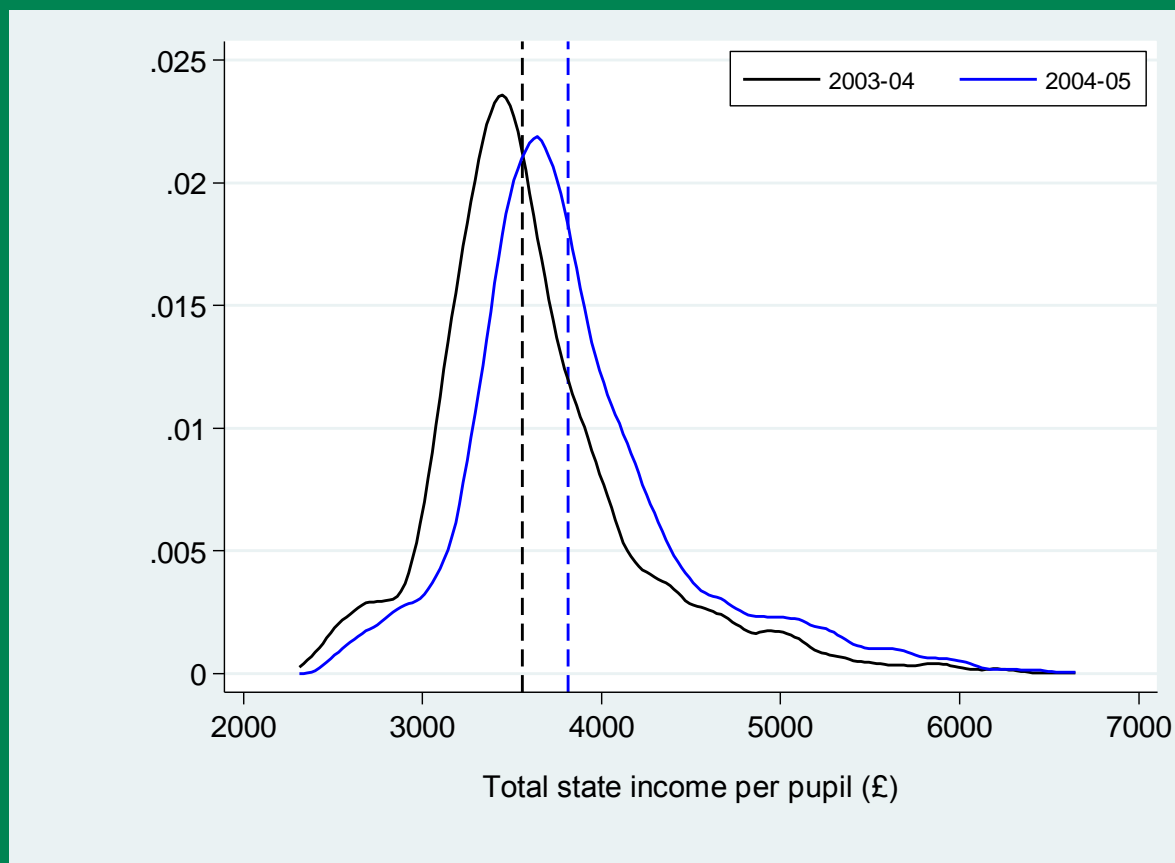


Note: All amounts in 2007–08 prices

Sources: Authors' Calculations using Section 52

State funding per pupil

Distribution across secondary schools

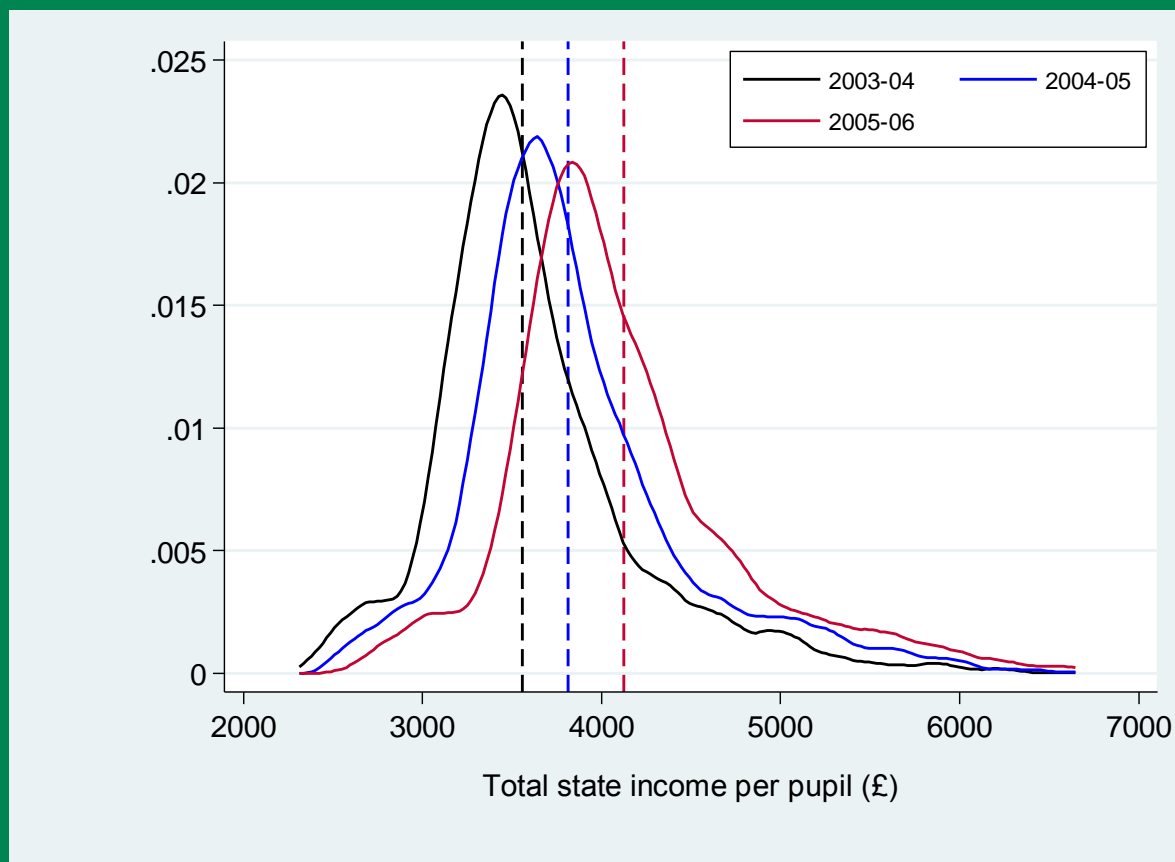


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State funding per pupil

Distribution across secondary schools

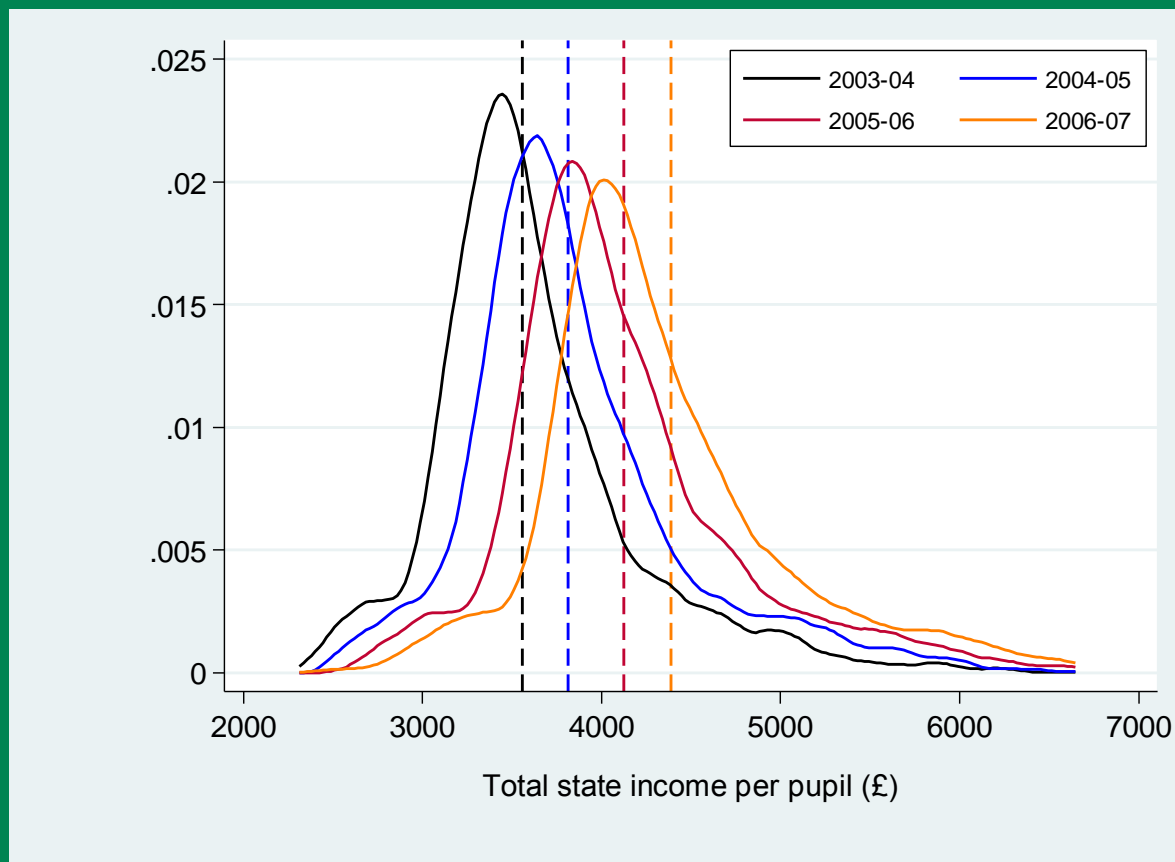


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State funding per pupil

Distribution across secondary schools



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How redistributive?

- To measure the degree of redistribution, we need to know what determines how much income a school gets
- We do not examine the actual formulae used to calculate allocations from central government and LAs
 - Many different classifications across LAs
- Instead we fit an *implicit* formula to the data by relating the actual income received to pupil numbers and characteristics
 - Describes the outcome of the funding system from schools' perspective, rather than the workings of the system itself

How redistributive?

Estimated formula for total state income per pupil in 2006–2007:

	Primary	Secondary
Base amount per pupil		
Extra per FSM pupil		
Extra per EAL pupil		
Extra per SEN pupil with statement		
Extra per SEN		

Note: All amounts in 2007–08 prices

Sources: Authors' Calculations using Section 52

How redistributive?

Estimated formula for total state income per pupil in 2006–2007:

	Primary	Secondary
Base amount per pupil	£2,141	
Extra per FSM pupil		
Extra per EAL pupil		
Extra per SEN pupil with statement		
Extra per SEN		

Note: All amounts in 2007–08 prices

Sources: Authors' Calculations using Section 52

How redistributive?

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Note: All amounts in 2007–08 prices

Sources: Authors' Calculations using Section 52

How redistributive?

Estimated formula for total state income per pupil in 2006–2007:

	Primary	Secondary
Base amount per pupil	£2,141	£3,118
Extra per FSM pupil	£1,531	£2,404
Extra per EAL pupil		
Extra per SEN pupil with statement		
Extra per SEN		

Note: All amounts in 2007–08 prices

Sources: Authors' Calculations using Section 52

How redistributive?

Estimated formula for total state income per pupil in 2006–2007:

	Primary	Secondary
Base amount per pupil	£2,141	£3,118
Extra per FSM pupil	£1,531	£2,404
Extra per EAL pupil	£283	(-£144)
Extra per SEN pupil with statement	£9,711	£8,855

Note: All amounts in 2007–08 prices

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Extra per SEN

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Extra per SEN

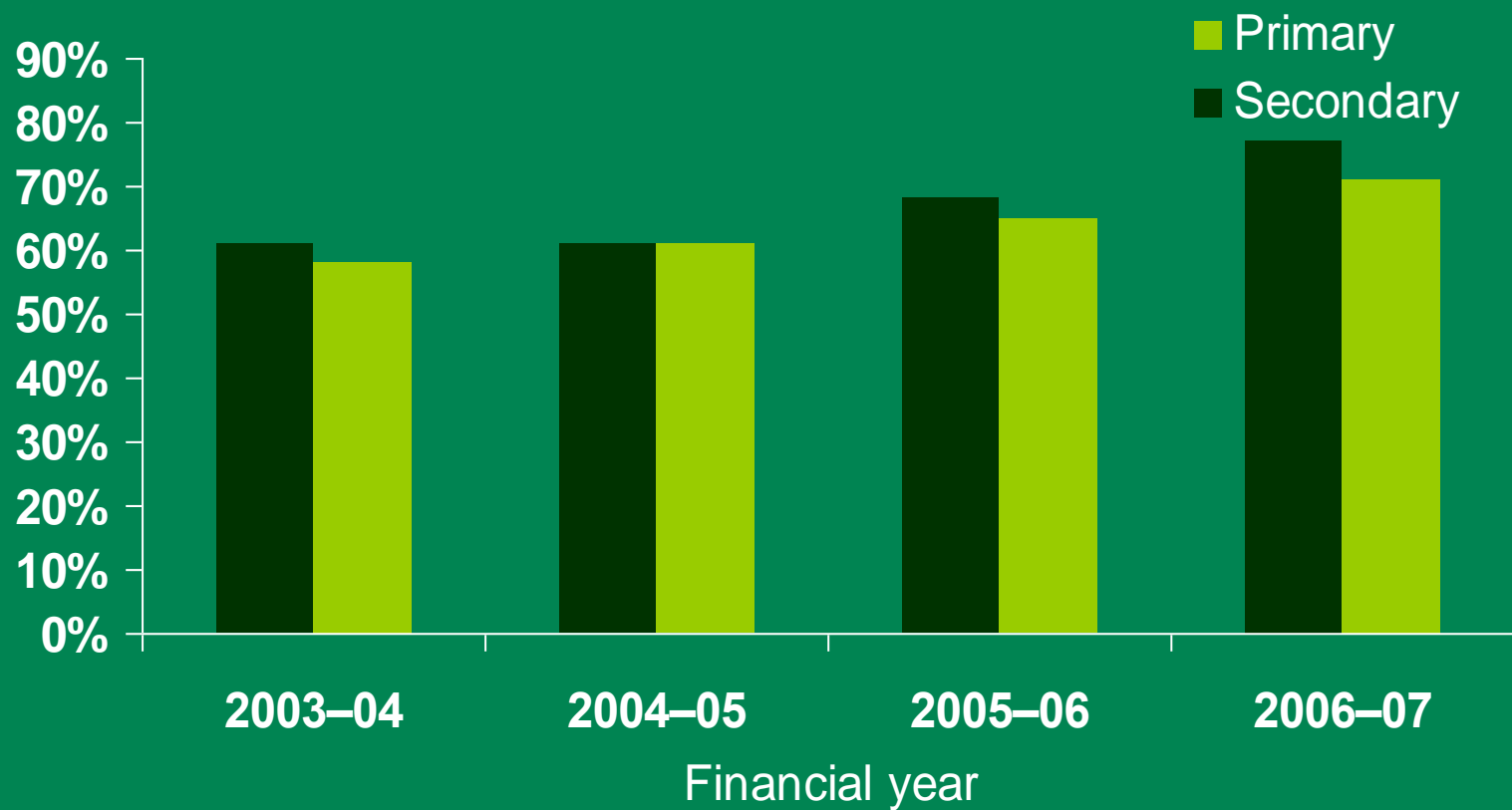
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Evolution of FSM premium

Size relative to basic per-pupil amount

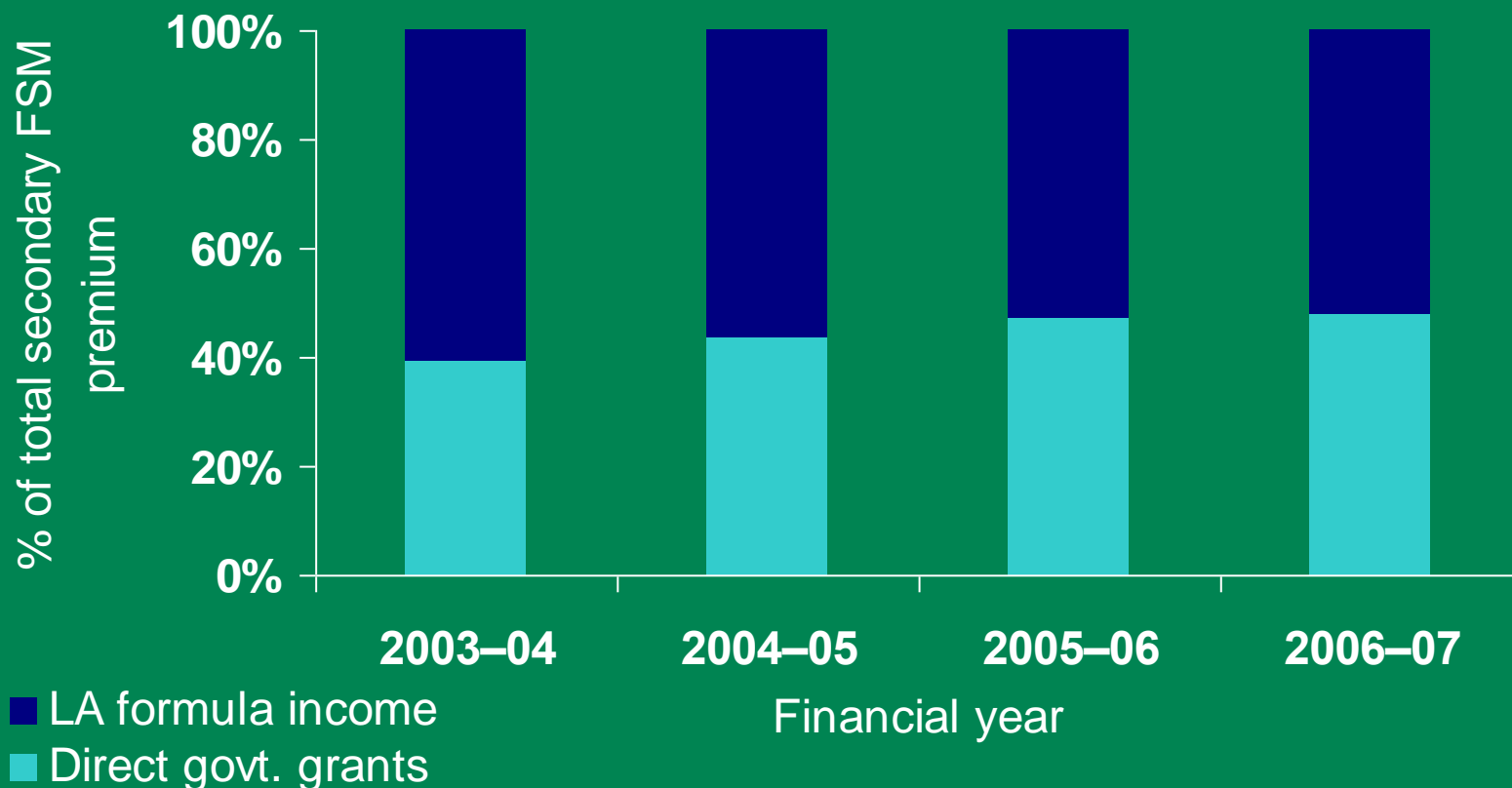


Note: All amounts in 2007-08 prices

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Composition of FSM premium

Shares from each source



Note: All amounts in 2007-08 prices

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The FSM premium

- Government grants are disproportionate share
 - Only constitute 15% of total income/pupil, but nearly half of secondary FSM premium
- Their share of FSM premium is growing
 - While their share of total income/pupil is flat
- Government grants are *more* targeted on FSM than (discretionary) LA formula income
 - The degree of targeting is also increasing over time

Local authority flattening

- Do LAs pass on all the funding they receive for deprivation as the government would like?
 - Government has found evidence that LAs spread their deprivation funding around, making it less targeted
 - This is called ‘flattening’
- Flattening will always occur to some extent
 - LAs must spend money on central services provision
- We focus on the remaining budget: the ISB
 - This must be spent *entirely* on schools

Local authority flattening

- We estimate implicit formulae for:
 - The total size of local authority ISBs
 - The allocation that schools receive from the ISB
- Test whether flattening exists by comparing the estimated FSM premiums in these formulae against each other

Local authority flattening

Comparison of FSM premiums, 2006–2007

	Primary	Secondary
FSM premium in ISB	£2,781	
FSM premium in school allocation from LA formula		

Note: All amounts in 2007–08 prices

Sources: Authors' Calculations using Section 52

Local authority flattening

Comparison of FSM premiums, 2006–2007

	Primary	Secondary
FSM premium in ISB	£2,781	£2,415
FSM premium in school allocation from LA formula		

Note: All amounts in 2007–08 prices

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Local authority flattening

Comparison of FSM premiums, 2006–2007

	Primary	Secondary
FSM premium in ISB	£2,781	£2,415
FSM premium in school allocation from LA formula	£1,020	£1,257

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Local authority flattening

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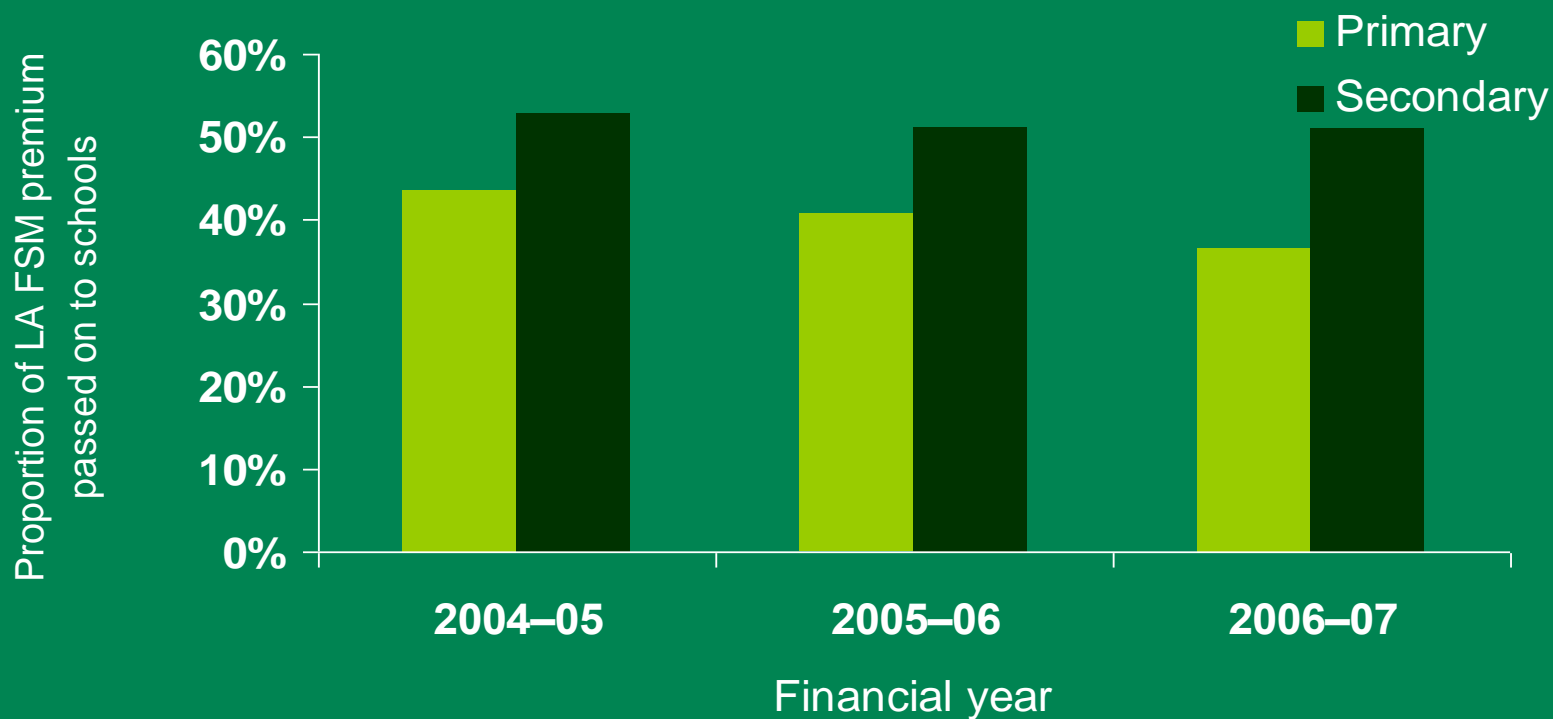
	Primary	Secondary
FSM premium in ISB	£2,781	£2,415
FSM premium in school allocation from LA formula	£1,020	£1,257

- FSM premium received by LAs is roughly double the FSM premium that received by schools from LAs
 - LAs tend to spread their budget out in a manner less redistributive than the government intends

Note: All amounts in 2007–08 prices

Sources: Authors' Calculations using Section 52

Extent of flattening over time



Which LAs flatten the most?

- LAs with high levels of disadvantage may spread out their ISB more evenly
 - FSM premium might be a blunt instrument
 - Schools would then receive less deprivation-based funding, but a higher basic per-pupil amount
- We explore this by seeing how the allocations schools receive from their LA vary by:
 - LA deprivation level (prevalence of FSM)
 - Region of England

Variation by LA deprivation level

Secondary schools, 2006–2007

	Basic per-pupil	FSM premium
Least deprived LAs	£2,660	£1,623
Second-least deprived LAs	£2,930	£2,251
Moderately deprived LAs	£2,746	£1,542
Second-most deprived LAs	£2,954	£1,468
Most deprived LAs	£3,017	£845

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Responsiveness to change

- Have looked at link between *current* pupils and *current* financial resources
 - In this sense, the system is overall very redistributive
- Can also look at dynamic aspects
 - How do total resources react to changes in needs?
- Similar analysis to before
 - Instead of levels, look at the impact of

Responsiveness to change

Impact of changes in pupils between 2005–06 and 2006–07

Responsiveness to change

Impact of changes in pupils between 2005–06 and 2006–07

	Primary	Secondary
Base amount per additional pupil		
Extra per additional FSM pupil		
Extra per additional EAL pupil		
Extra per additional SEN pupil with statement		

Responsiveness to change

Impact of changes in pupils between 2005–06 and 2006–07

	Primary	Secondary
Base amount per additional pupil	£1,843	£2,474
Extra per additional FSM pupil	(-£99)	(£528)
Extra per additional EAL pupil	£640	£488
Extra per additional SEN pupil with statement	£1,824	(£1,486)

Responsiveness to change

- Levels of pupil characteristics important, but short-run changes in these are less so
 - Funding responds slowly and partially
- Potential explanation for inertia: importance of historical funding levels and characteristics
 - e.g. Minimum Funding Guarantee (MFG)
 - % increase on previous per-pupil funding level
 - Fluctuations can be offset by top-up payments
- 2004 Audit Commission report highlights this unintended consequence of MFG

Summary

- Consistent growth in funding masks large dispersion in per-pupil resources
- Current funding heavily concentrated in schools with greater severity of deprivation/AEN
 - LA formula funding tends to be less targeted, especially in disadvantaged areas
- Reallocation on basis of changing needs is weak
 - Ties in with idea of buffering/stability