

Institute for
Fiscal Studies

Fairness in School Funding

Presentation to Inside Government Conference

Luke Sibieta, January 26th, 2010.

Outline

- Overall implications of the Spending Review
- Implications of the Pupil Premium
 - 2011-12
 - And beyond...
- Looking to a National Funding Formula
 - Likely pattern of changes
 - Choices and tradeoffs facing policymakers
 - How do Free Schools and Academies fit in?

Spending Review – Department for Education

- DfE to receive total real-terms cut in DEL of 11.3%, comprising:
 - 4% total cut in resource spending
 - 60% total cut in capital spending
- Cuts not shared equally across sectors under current plans
 - Schools - 0.3% real-terms cut
 - Sure Start - 10% real-terms cut
 - Administration – 33% real-terms cut
 - EMA – abolished
 - Other areas (including 16-18 participation) – 8% real-terms cuts
- Schools spending spread over increasing population
 - Pupil numbers to increase by average of 2.7% between 2010 and 2014
 - Spending per pupil to fall by 2.9% in real-terms over same period

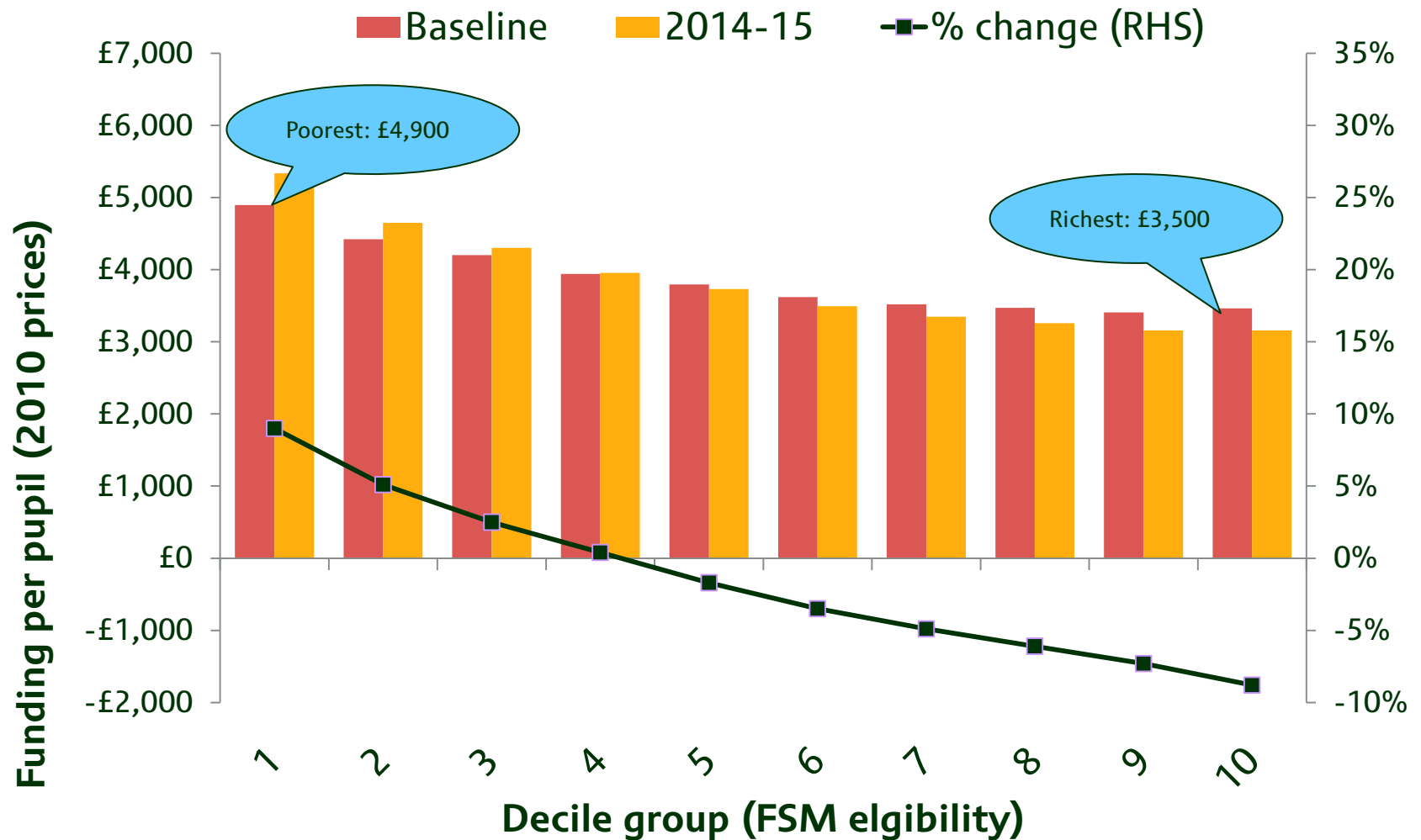
School Funding and Pupil Premium in 2011-12

- Existing funding per pupil frozen in cash-terms
- Fixed amount for each “disadvantaged” pupil (Cost: £625m in 11-12)
 - £430 for each pupil eligible for free school meals
 - £430 for Looked After Children
 - £200 for Service Children
- Less deprived schools to see real-terms cuts, more deprived schools to see smaller cuts or slight increases
 - Average real-terms cut of 0.75%
 - 1 in 4 pupils in schools receiving a real-terms increase in 2011
- Assumes a 15% increase in FSM registrations up to January 2011
 - Resulting from the clear financial incentive
 - 1 in 5 will receive a real-terms increase without increase in registrations

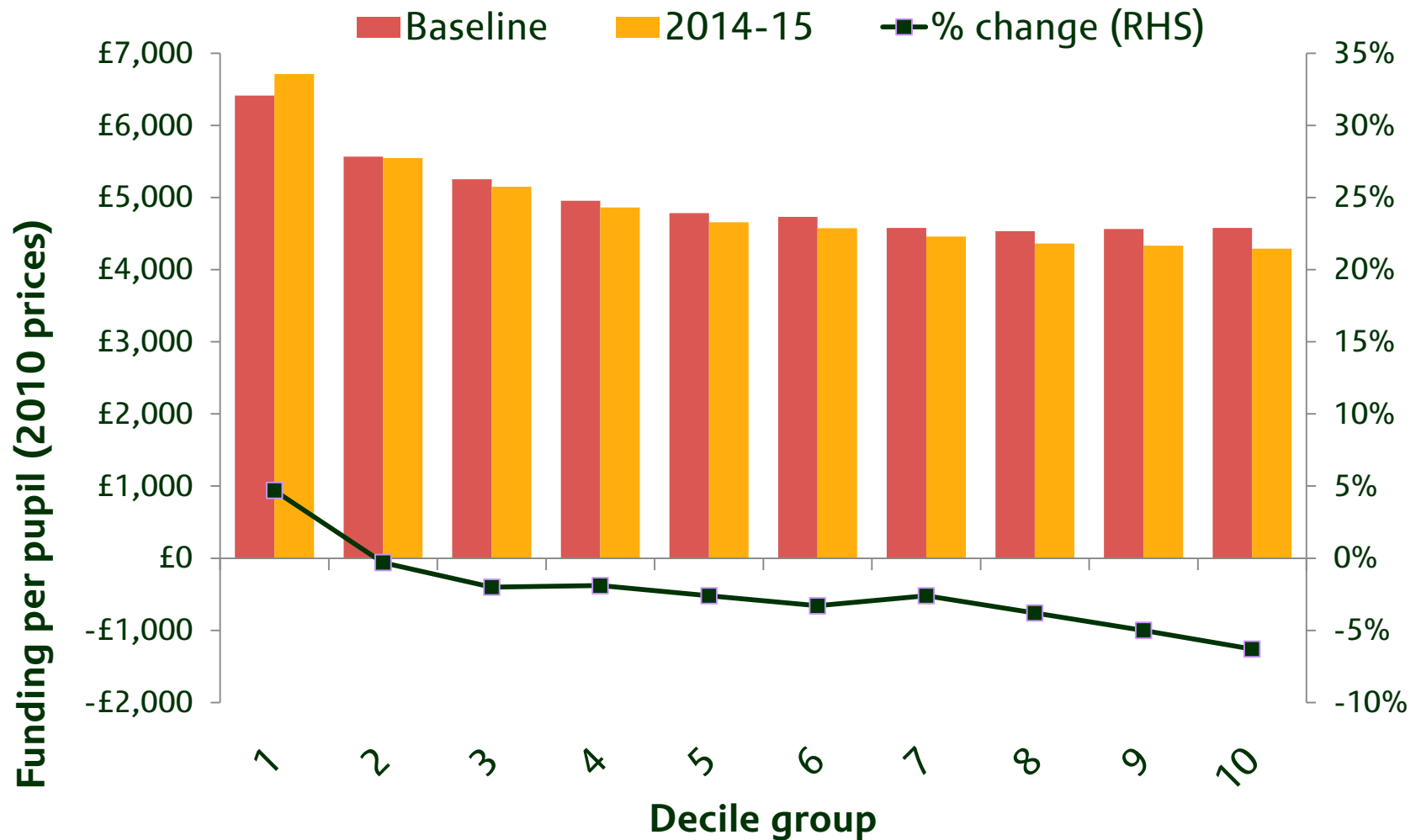
Pupil Premium up to 2014-15

- Level of the pupil premium will be increased in future years
 - Total planned spend of £2.5bn by 2014-15
- Revise rate based on experience of FSM registrations
 - Will represent similar benefit to deprived schools
 - Cautious for the public finances
- Plan to expand the pupil premium to other groups
 - Ever eligible for FSM
- Model changes in funding and level of redistribution in 2014-15
 - Assume cash-terms freeze in existing funding per pupil
 - £2,000 for extra for each child currently eligible for FSM
 - Calculate change in funding per pupil and level of redistribution

Primary funding per pupil by deprivation level: flat rate pupil premium £2,000



Secondary funding per pupil by deprivation level: flat rate pupil premium £2,000



Moving to a national funding formula

- Long-run intention to move to a single national funding formula
- Replace 150 different funding formulae with a simplified national formula for all schools
- Consequences for schools will depend on exact formula chosen...

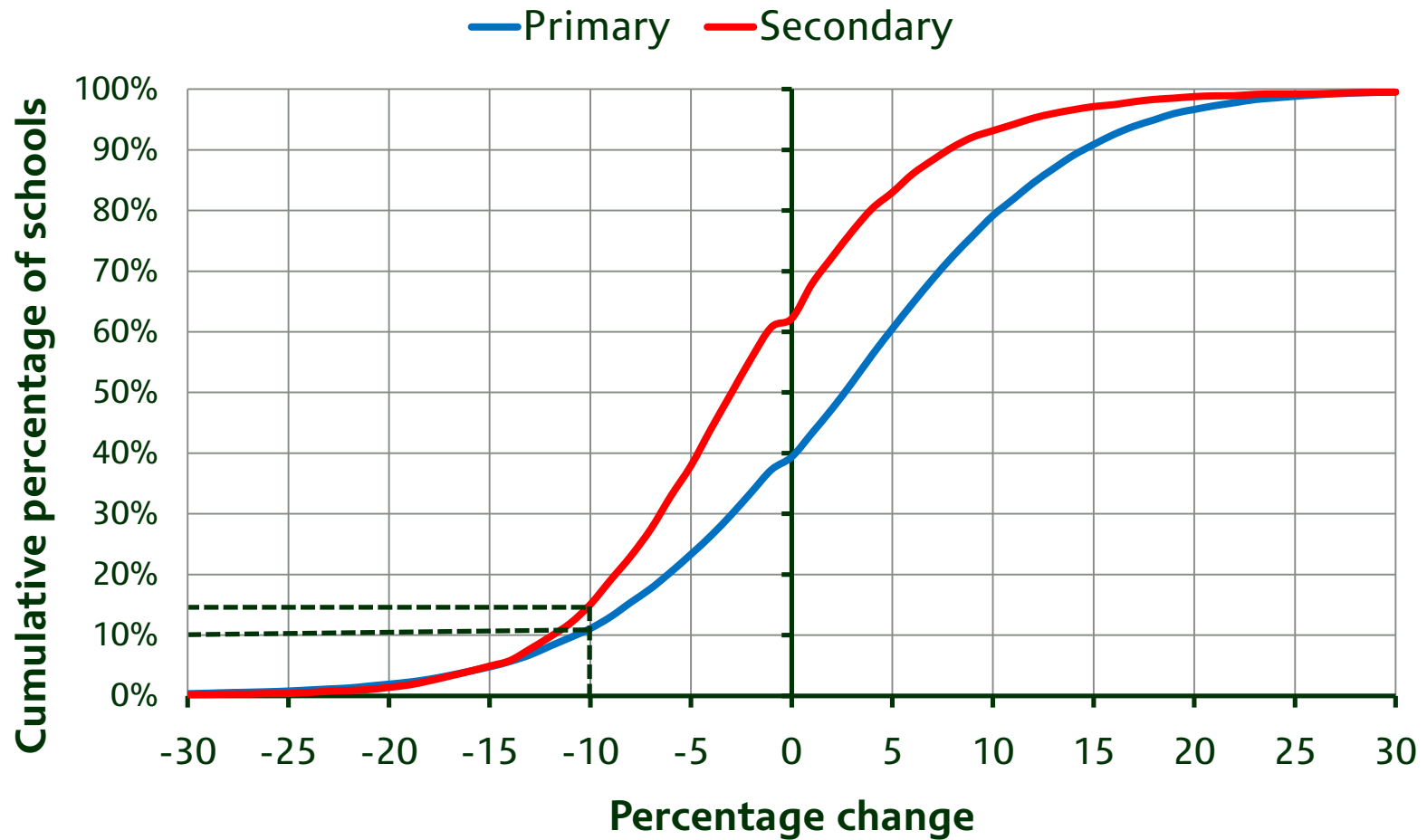
- Set out an example funding formula and detail consequences for different types of school
- Based on analysis produced in early 2010 using 2008-09 data
- Highlights the level and types of change one might expect
- Illustrates the trade-offs and choices facing policymakers

Very simple version of a national funding formula

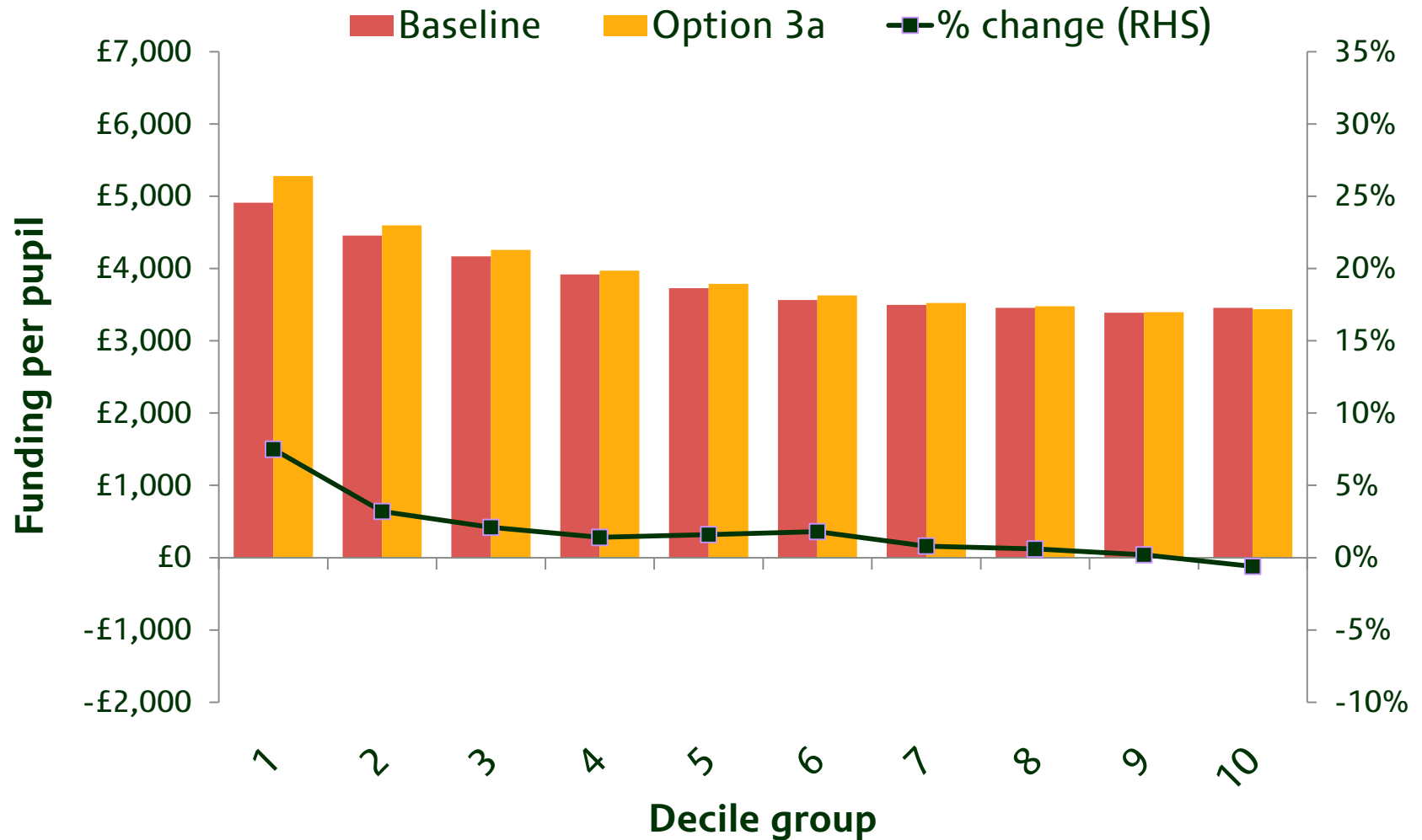
- Provide a basic cash amount for all pupils, varying by Key Stage based on average amounts LAs currently provide
- Add an FSM pupil premium on top
 - Give a 33% higher FSM premium to secondary schools
 - Provides some rebalancing towards primary schools
- Maintain existing SEN-statement funding, ACA and LSC funding

Basic cash amounts (KS1/KS2/KS3/KS4)	£2,460/£2,460/£3,200/£3,810
Measure of disadvantage	FSM
FSM premium (primary/secondary)	£3,690/£4,920
EAL premium	£250
SEN (non-statemented) premium	£250
Fixed Cost (primary/secondary)	£125,000/£215,000

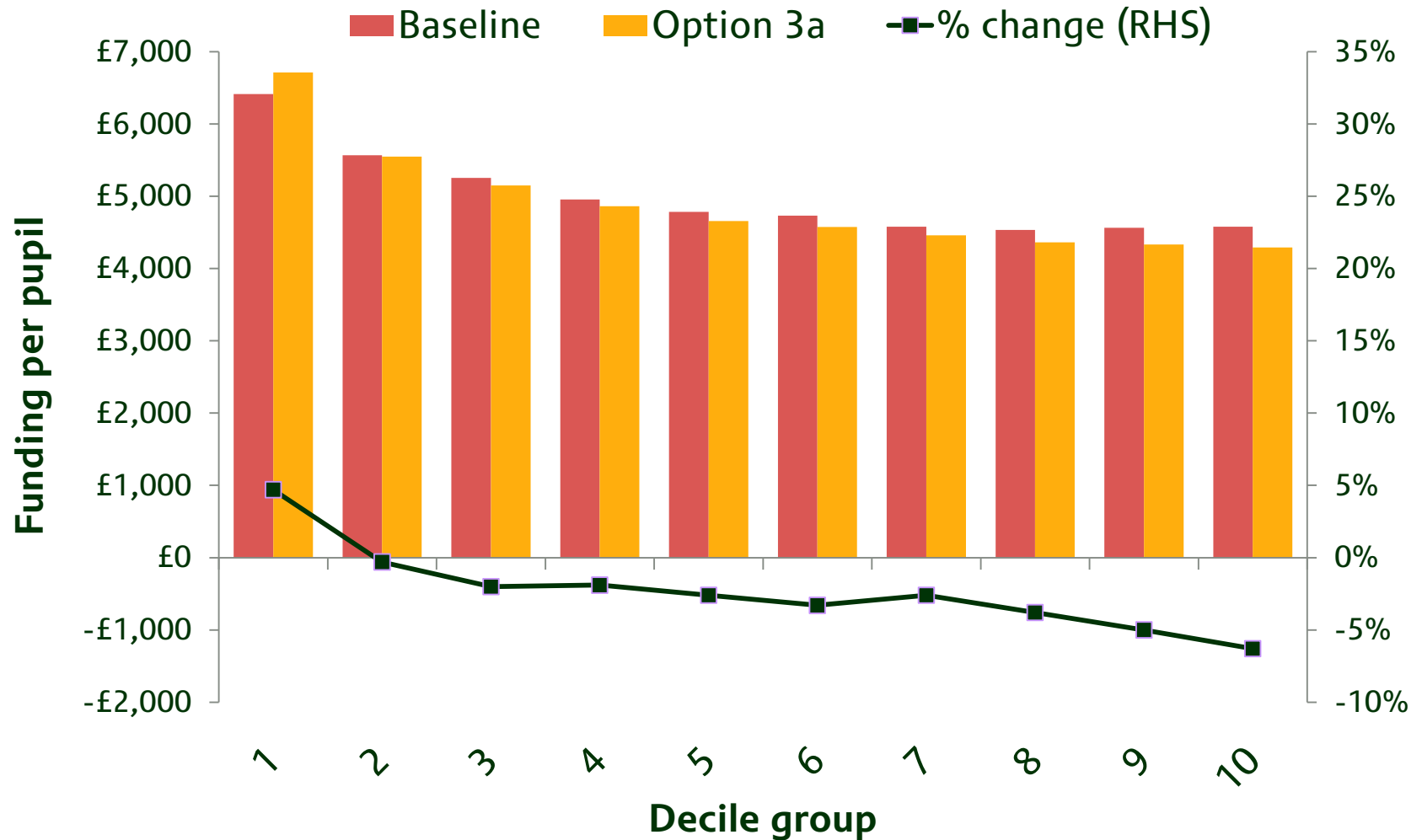
Percentage change in funding levels



Primary funding by deprivation level:



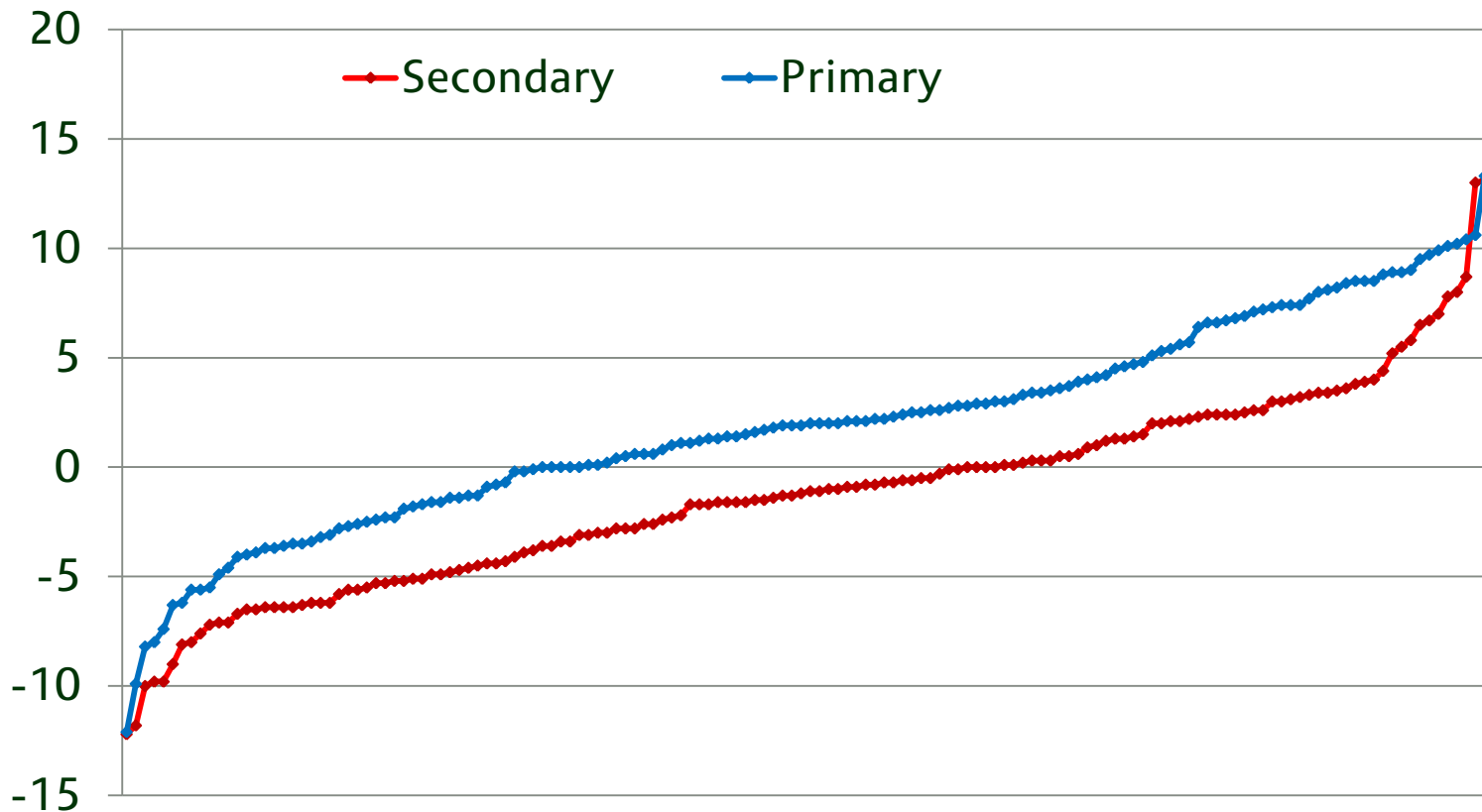
Secondary funding by deprivation level:



Further analysis of winners and losers

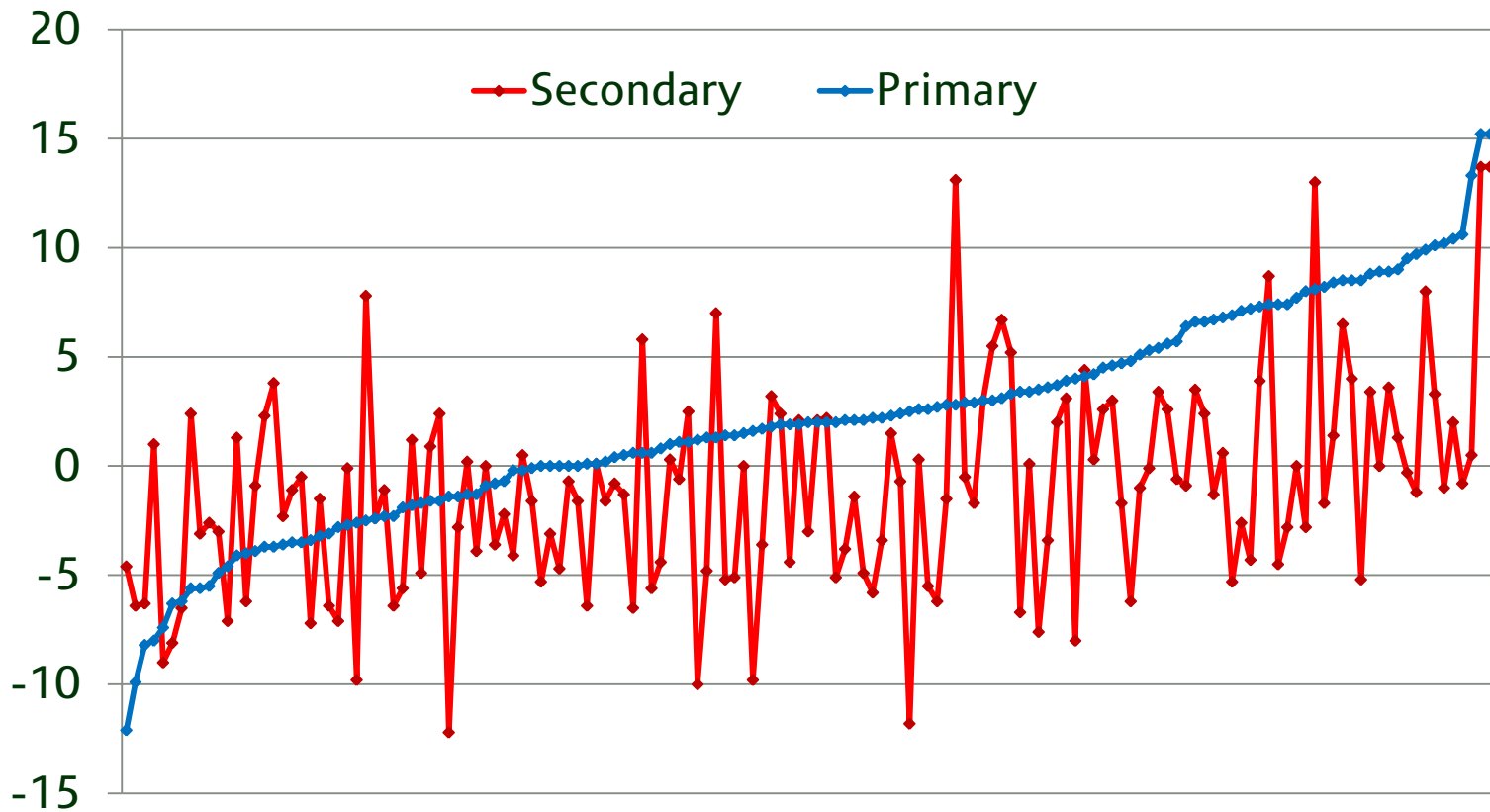
- By School Size
 - Not differentiated by primary school size, larger secondary schools lose
- Geography
 - Primary schools in South-West and South-East gain most, Yorkshire loses most
 - Secondary schools in London and North-East gain most, East Midlands and Yorkshire lose most
- Gains and losses are highly concentrated in particular local authorities
 - Reflects differences in primary/secondary split, central services, history and measurement error

Average percentage change by local authority



Note: Each set of results has been ordered by change in each phase

Only ordered by changes amongst primary schools



Transitional Mechanisms

<i>Floor on annual real-terms losses in per-pupil spending</i>	<i>Length of transition (years)</i>	<i>Cumulative total cost of transition (£m, 2010 prices)</i>	
		<i>Without ceiling on increases in funding</i>	<i>With ceiling of 15% per year</i>
-3%	9	1,650	570
-4%	7	1,130	460
-5%	5	800	370
-6%	5	610	290
-7%	4	470	220
-8%	4	370	170
-9%	3	290	120
-10%	3	230	80

National Funding Formula: choices and tradeoffs

- Small schools and level of fixed costs
 - Very important in world of new start ups and limited budgets
- Central services
 - Flat rate redistribution would penalise schools in low-spend LAs
 - Balance between schools and LAs
 - Controversy surrounding academies model is illustrative
- SEN Funding
 - Maintain LA role or new model?
- Area Cost Adjustment
 - Substantial issue that needs to be resolved
- Benefits of complexity?
 - Local or school specific factors, e.g. Split sites, energy, swimming pools
 - Or just local choice to prioritise different factors

How do Academies and Free Schools fit in?

- Seem ideally suited to a National Funding Formula
- Clear, simple and predictable levels of per-pupil funding
- No attachment to particular local authorities
- BUT...
- Academies currently receive recurrent funding similar to other schools in the LA
 - So will face similar consequences of a national funding formula
- Could Free Schools start on a National Funding Formula?
 - Would have different funding to other local schools
- Important that Government begin to specify how such a formula could be structured and brought in over time
 - Long-term financial planning for new schools