Summary
This briefing covers the report from the independent, liberal think tank Reform on school funding. *Must do Better: Spending on schools* was published in May 2013. The authors make the bold and controversial case that the Government should urgently abolish the ring-fence around school funding which has protected education spending since the Coalition Government began its austerity programme in October 2010. Supporting the argument put forward by a number of Ministers who have made the case for swingeing departmental cuts based on the premise that reduced funding drives innovation and efficiency, Reform argues that significant rises in school spending in recent years have not been accompanied by equivalent improvements in outcomes. The time is ripe, therefore, to drop ring-fences and welcome schools into the austerity fold.

Many schools will have seen their budgets change substantially in recent years, along with other resources available to them as a result of the significant influx of academies, the introduction of the Pupil Premium, the ending of the National Strategies and reductions in local authority school improvement services. Consequently, this briefing is of interest to anyone involved in schools – teachers, senior school leaders, parents, students and school governors. Significant reductions in school spending would also impact upon local government in its role as education’s “middle tier” and so the briefing is also of interest to local government elected members and officers concerned with school improvement as well as policy commentators in the wider education field.

Overview
The report is short and punchy and puts forward four key recommendations to Government which it justifies by arguing that the current ring fence around school funding is not justified by better outcomes and that it is not consistent with good education since it provides a deterrent to innovation. On this basis, government policy is contradictory and confused since the argument of all Ministers looking for departmental savings is that cuts do not damage the frontline since they simply create an impetus for leaders and managers to innovate and “do things differently”. The recommendations are:

- That the government should abolish the ring-fence around school funding in the forthcoming Spending Round which will be published on 26 June
- That no ring-fence for the Pupil Premium should be introduced since greater funding alone provides no assurance that outcomes for disadvantaged pupils will improve
- That Ministers should encourage and support schools that reduce numbers of teaching assistants and allow the sizes of their classes to rise
- That Ministers should pro-actively make the case that the quality of teaching in a school is more important than the size of its individual classes
Why the budget needs reform

The report begins by providing some historical context to education spending in the UK and its growth in recent years. Following welfare and health, education is the Government’s third largest area of public expenditure. Further, the amount that governments in the UK have spent on education has increased significantly in the past decade. Indeed, ‘in 2011-12, £93.1 billion was spent on education, which is around 13 per cent of the government’s total managed expenditure’. This is almost double what, in real terms, was being spent in 1991.

Some useful international comparative figures are also set out which make for interesting reading – ‘the UK spends more on primary, secondary and post-secondary non-tertiary education as a percentage of GDP (at 4.5 percent of GDP in 2009) than both the E21 and OECD average (both at 3.8 per cent)’. Rightly, on this basis, policy makers would expect to see outcomes that place us well ahead of our European and international neighbours whose spending is lower than our own. And yet, Reform argues, this is not what an 86% increase in real term spending over ten years has delivered for the UK’s pupils.

The Coalition is currently committed to continuing its policy of ring-fencing the schools budget for 2015-16 along with health and overseas aid. On the basis of outcomes alone, Reform argues fervently that the schools ring-fence and, indeed, all ring-fences should be removed from fiscal consolidation plans because the protection of one budget necessarily leads to greater cuts elsewhere. In the words of the authors, ‘cuts should reflect those areas where the marginal value for money from spending is lowest and [on this basis] no areas should be off limits’. Ring-fencing leads to fiscal consolidation that reflects political whim rather than sound economics and is to the detriment of the UK’s economy and population.

The need to extract maximum value from every pound spent on education becomes even greater when the predicted pressures that huge increases in pupil numbers will place on the UK’s education system are taken into account. Indeed, Reform point to data that shows that school budgets increased significantly at a time when pupil numbers were actually falling. Alongside increases in budget came a dramatic increase in the size of the schools workforce – ‘between 2000 and 2010 the number of full-time equivalent teachers increased by 10 per cent and the number of teaching assistants almost tripled’. And yet it is anticipated that in maintained nursery and state-funded primary schools, there will be an 18% increase in pupils between 2012 and 2020. Essentially, Reform’s argument in relation to this is that efficiency will be paramount in dealing with this increase and today’s outcomes point to an education system that is currently inefficient in its ability to translate cash into pupil outcomes.

Variations in school funding

The report dedicates a sizable chunk of time to exploring the complexity of the school funding system. It is right to do this since the funding system for education in the UK is hopelessly complex and, quite often, unfair in its approach to allocating resources based upon need. Indeed, the authors argue, ‘a reasonable and fair funding formula should produce variation in the distribution of funding according to need, yet there is widespread concern that the current system does not do this effectively’. Research from the DfE has uncovered variations in funding that can amount to differences of £1,800 per pupil across secondary schools whose intake is statistically similar.
Government’s current consultation on schools funding recognises the stark inadequacies in the system which it has committed to resolving by way of reform.

The report uses such variations to investigate those schools whose challenges are comparable but whose budgets are significantly different, that is those schools which are effectively doing “more for less”, delivering greater outcomes with fewer “inputs”

**The relationship between inputs and outcomes**

The overriding conclusion drawn by Reform is that, using value added scores and like for like comparisons of pupil spending there is ‘no clear relationship’ between increased school spending and strong pupil outcomes – ‘some schools achieve better outcomes on lower funding and some schools in receipt of higher funding do not necessarily have better outcomes’. On this basis, there is a case for abolishing ring fences and looking at how the approaches adopted by low input/high outcome schools can be replicated across the education system.

Consideration is also given to the quality of teaching and particularly to the relationship between the amount of funding a school receives and the quality of its teachers. Whilst high quality teaching is undoubtedly critical to strong educational outcomes, no link is found between high quality teaching and high levels of per pupil funding suggesting that the prime key to educational success is not unlocked by cash injections.

**Reducing spending and maintaining outcomes**

And so, says Reform, ‘continuing to ring-fence the schools budget is unjustifiable’ and on the basis of the evidence set out in the report, ‘no area of the Department for Education budget should be protected’. A relentless focus on value for money based upon outcomes should guide future spending decisions regarding Britain’s schools on the basis that ‘how’ money is spent rather than ‘how much of it there is’ is the key to determining the quality of our schools.

A similar argument has been adopted and used to justify spending reductions that have been driven through by Ministers whose budgets have not been protected – as those working in local government will be acutely aware. If Michael Gove does not adopt the same approach to schools then government policy becomes confusing and conflicted and the Government’s austerity drive will go even further off track.

**Recommendations**

- The government should abolish the ring-fence around school funding in the forthcoming Spending Round which will be published on 26 June
- No ring-fence for the Pupil Premium should be introduced since greater funding alone provides no assurance that outcomes for disadvantaged pupils will improve
- Ministers should encourage and support schools that reduce numbers of teaching assistants and allow the sizes of their classes to rise
- Ministers should proactively make the case that the quality of teaching in a school is more important than the size of its individual classes
Comment

A report which recommends a reduction of nearly 18% of the school education budget in the UK accompanied by the claim that this could be done with no impact upon pupil outcomes is controversial……and controversy it has caused. Brian Lightman, General Secretary of the Association of School and College Leaders says that it is impossible to imagine cuts of this size without reductions in standards and school closures. Such an outcome would be politically toxic at best and political suicide at worst if his claims are an accurate prediction of the result such a cut would cause.

But a report that stimulates debate about the best and most valuable deployment of the UK’s precious resources for the public good should be welcomed, even if its messages are uncomfortable – which these are. The education budget consumes a sizable chunk of public spending and so constant critical examination of how this budget is spent and the outcomes it yields should be the concern of any government and its policy machinery.

And the report points towards some uncomfortable truths. It is true that too many of Britain’s schools require significant improvement. For example, despite comparatively high levels of spending, we, along with America, languish at the bottom of international league tables when measuring the gaps in performance between our affluent and economically deprived children and young people. For a country that wants its population to have the skills to enable it to continue to hold competitive edge in the global skills market, our education system needs to improve, and fast, if it is to cope with the challenges ahead of it, notably the vastly expanding pupil population which Reform highlights as a major concern.

Reform’s recommendations and messages need to be seen for what they are – “ideas” (as stated in the title of the series to which the report belongs). They currently lack substance and development would be required for them to exercise any real influence over June’s spending announcement. The report has a number of significant weaknesses. Perhaps most notable is the absence of qualitative information that could back up their proposed approach to fiscal adjustment in what feels like a report resulting from a desk based economic exercise. There is a marked absence of the critical voices that would be crucial to delivering such a cut – the voices of school leaders and influential educationalists who would necessarily be responsible for driving the kind of change to deliver this kind of reduction in school budgets.

Perhaps most importantly however, is the significant and hurried leap that is made from the observation that outcomes do not adequately match inputs to the conclusion that the budget must therefore be slashed. Whilst this conclusion, if implemented, may bring down the deficit, it will provide no answers as to how we can improve our schools in the way that is needed. Usefully, the report highlights (albeit briefly) that excellent teaching is ultimately the key to excellent education, a truth born out in widely cited evidence produced by McKinsey and Company. Budget reductions aside, if the government is looking to squeeze maximum value out of each pound spent then of paramount importance is the need to channel resources into developing and investing in effective teacher training routes that attract, train, develop and retain strong teachers to work in our schools that need improving most. TeachFirst provides an exciting route that complements the PGCE and should be nurtured and developed so that their reach and impact is extended as far as possible. Ultimately, the government should be looking to channel the large education budget into
methods that we know work and improve schools rather than looking to cut it because it is not currently delivering the value that everyone would like to see.

**External Links**

Reform [Must do Better: Spending on schools](https://www.reform.co.uk/publications/must-do-better-spending-on-schools) (May 2013)

BBC [School budget cuts – no harm to standards](https://www.bbc.co.uk/education/news/stories/2013/05/school-budget-cuts-no-harm-to-standards-201305220835) (May 2013)


**Related briefings**


See also: LGiU [Should We Shed the Middle Tier?](https://www.lgiu.org.uk/elections/should-we-shed-the-middle-tier) (September 2012)

For further information, please visit [www.lgiu.org.uk](https://www.lgiu.org.uk) or email [john.fowler@lgiu.org.uk](mailto:john.fowler@lgiu.org.uk)