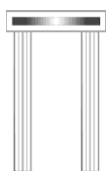


POLITEIA

A FORUM FOR SOCIAL AND ECONOMIC THINKING



22 Charing Cross Road
London WC2H 0HR
Tel: 020 7240 5070
Fax: 020 7240 5095
info@politeia.co.uk

Publication date: Monday 17 November 2003

Stop Rewarding School Failure. A fair funding formula for success is needed for school reform, says next Politeia Pamphlet

School funding has long been the subject of acrimony and recrimination. Despite government boasts that record sums are going to education, schools rarely have enough. But matters are even worse than that, as Politeia's next pamphlet explains.

In *Funding Failure: How Schools Pay for Success* Adrian Butler, Assistant Director of Education at Wandsworth LEA, explains that the funding system is notoriously complex and difficult to understand, even for the councils which distribute the money to schools. There are four parts to a school's budget, *The Delegated Budget, The Standards Fund, The School Standards Fund* and *Post-16 Funding* and each accounts for a different proportion of the total. There are three different sources, the Council or LEA (Local Education Authority), the Department for Education & Skills (DfES), and The Learning and Skills Council (LSC). Added to this is an inherently unstable budget which varies from year to year depending not just on the number and ages of pupils in a school, but on the changing political priorities of the government of the day. The upshot is a system riddled with complexity, confusion and uncertainty.

But matters are even worse than that, for the funding system often penalises success and rewards failure. Why is this?

A significant proportion of the funds *The School Standards Fund* comes from the DfES and is used for funding specific Government initiatives – often short term and focussed on specific types of school and problems such as anti-social behaviour and pupil attainment. This might mean that the school with poor results or badly behaved pupils will get extra funds, while the school from the same catchment area with good results or well-behaved pupils will miss out. Under this fund, which comes from ministers (or their DfES officials), a school might receive an extra 12 percent of funds – which could be over £100,000 in an annual budget of £1m.

The upshot is a system where indicators for success – such as good staying on rates, attract only very small amounts of extra funding. The economic consequences are serious, as Gabriel Stein points out: “The fixed sum will be affected by the variable sum and might decrease as the variable component increases. And the danger will be of schools adapting rationally to perverse incentives”. Likewise, the lessons for school management are clear, as Nicholas Boys Smith explains: “Headteachers' time is wasted by complexity and bureaucracy; confident budgeting is undermined; perverse and contradictory incentives discourage success and a consistent strategy”.

What should be done? All three authors conclude that a simpler, fairer basis for funding must be adopted.

As Adrian Butler says, “A system is needed which is simple and stable, and places more emphasis on success in distributing funding. [This] could be achieved by...a single grant in place of the current four ... and linking funding closely to...success ... rather than to factors such as low attendance and poor attainment ... Schools should be funded by one basic grant, which could be distributed through a simple national formula using [set] factors...With...a clear simple stable formula, schools would know exactly where they stood”.

Funding Failure: How Schools Pay for Success by Adrian Butler* (0208 871 7895), Dr G Stein (0207 382 5922), and N Boys Smith (07768 773860). Available at £7 from Politeia, 22 Charing Cross Road, London WC2H 0QP (0207 240 5070, info@politeia.co.uk). *Adrian Butler is Assistant Director of Education, Wandsworth Council.

