



Summary

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The school voucher system – efficiency and consequences

Summary

The Swedish National Audit Office (Swedish NAO) has audited whether the regulations for the school voucher system to independent schools supports education of equal value for the pupils. The school voucher refers to the amount that a pupil generates for an individual school authority or for the municipal school that the pupil attends. The Education Act stipulates that all pupils must be supported to make as much progress as possible; to accomplish this, available resources must be used as efficiently as possible. The school voucher system for independent schools was introduced around the same time as the school choice reform and was important for giving more pupils the opportunity to choose a school. The school voucher system has been criticised for not supporting the objective of the Education Act.

The overall assessment of the Swedish NAO is that the regulations counteract education of equal value in certain respects and therefore need to be changed. The Swedish NAO assesses that the current regulatory framework leads to difficulties for both the school authorities' ability to plan their activities and efficient resource allocation. This is due in part to the fact that independent school authorities must be compensated on equal terms, but the conditions for their school activities are different compared with municipal schools. At the same time, it is difficult for independent school authorities to determine whether they are receiving fair compensation. In addition, the size of the school vouchers does not reflect the cost of having one pupil more or less. The assessment of the Swedish NAO is also that

the regulatory framework for significant negative effects in the long term when establishing independent schools is not functioning efficiently.

Audit findings

A relatively large proportion of pupils are able to choose a school. Since the early 1990s, there has been a sharp rise in the number and proportion of independent schools and pupils who attend independent schools. The proportion of pupils who attend independent schools has increased nearly twenty times since 1992. In 2020, 65 per cent of pupils lived within five kilometres of an independent school. The choices are greatest in areas with many foreign-born parents. Parents with a higher education more often choose an independent school for their children. The proportion of pupils attending the closest municipal school has decreased by just over four percentage points since 2008, which indicates that more pupils act on their option to choose a school.

The regulatory framework does not take into account that a large proportion of school costs is fixed costs

A very large part of a school's costs are fixed and cannot be reduced when the number of pupils decreases. Nor do costs increase when there is a slight increase in the number of pupils – unless the annuity divisors mean that additional classes must be added. In most municipalities, the school voucher is decided without taking account of schools' fixed costs. This can have major financial consequences for schools both when the number of pupils decreases and increases. It means that schools with an uncertain student base may be more inclined to employ staff on fixed-term contracts, employ less experienced staff or adapt the scope of work for some support staff, thus worsening the prospects for continuity and stability for pupils in need of support.

Same funds do not necessarily mean same conditions

The regulations on compensation to independent schools set out that the home municipality is to provide contributions for each pupil attending an independent school. The contribution is to be determined on the same basis used by the home municipality to allocate resources to its own schools. This provision is usually referred to as the equal terms principle. The Swedish NAO's assessment is that it does not always create equal conditions for schools because municipal school authorities have a responsibility that the independent school authorities do not. The responsibility of the home municipality, that is, the responsibility for ensuring that all pupils of school-age attend school and also offer a place in their schools to all pupils who wish to attend, is costly. A municipality cannot, for example, decide on the size of their schools, but must adapt it to the existing student base.

Most municipalities use a school voucher model

A large majority of municipalities finance their school activities using a school voucher model. The assessment of the Swedish NAO is that the current regulatory framework directs municipalities toward such a model, even though municipalities are not required to use the same resource allocation model for their own schools as for independent schools. Municipalities may use other models, but they must always be able to show that they allocate resources within the basic amount to independent schools on the same basis as to their own schools.

The negative effect of the regulations on school vouchers emerges in particular when independent schools are established in contexts where they do not meet any immediate capacity need. If a school loses a large number of pupils to a newly opened school, this sometimes has consequences on its ability to provide the support needed for the pupils who remain at the school. If the school that loses pupils is a municipal school, in the long run it can lead to an increase in the size of the school voucher in that municipality.

School funding decisions are unclear and compensation for the costs of premises is unpredictable

The school funding decisions sent to the independent school authorities in the pupil's home municipality vary greatly in terms of design and content. Some are clear, while many are unclear and do not meet the requirement of the Schools Ordinance on what must be included in the reporting. Furthermore, many cases are appealed to an administrative court. Cases that go to court require a lot of resources from all parties involved. In addition, there are several different ways for a municipality to book the costs of their premises, which in turn affects compensation issued to the independent school authorities.

The regulations for significant negative effects in connection with new schools are interpreted restrictively and are difficult to apply

A school is not permitted to start up or expand if it entails significant negative consequences in the long term for the pupils or for the municipal school system. During the audited time period, we did not see any case in which the Swedish Schools Inspectorate did not make its assessment based on the examples in the legislative history of the law, which the Swedish NAO considers to be too narrow. Another problem is that the Swedish Schools Inspectorate bases its decisions on input from the municipality and the applying school authority, regardless of the quality of the input.

We propose a nationally determined standard rate for compensation to independent school authorities

The Swedish NAO assesses that there are problems with the current regulations that are difficult to address through minor adjustments. There is reason to re-evaluate whether independent schools should be compensated on the same grounds as municipal schools. The Swedish NAO proposes that the Government adopt a different resource allocation system for independent school authorities. The system should be investigated further, and be determined nationally, but should allow for some variations based on factors such as teacher salary levels, the real estate and rental market, population density and the school authority's fixed costs.

Recommendations

The Swedish National Audit Office recommends that the Government

- Ensure that a nationally determined standard rate to compensate independent school authorities is introduced
- review the regulations on significant negative effects to ensure that the intent is clear.

If the Government chooses not to follow the recommendation concerning a standard rate for compensation to independent schools, the Swedish NAO recommends that the Government

- ensure that a standard rate for compensation for costs of premises is introduced for independent school authorities.

The Swedish National Audit Office recommends that the Swedish Schools Inspectorate

- ensure that the government agency has sufficient input regarding significant negative effects in the long term to be able to make an overall assessment
- clarify its decisions concerning significant negative effects to ensure that decisions are transparent for the recipient
- systematically build knowledge on whether negative effects in the long term have arisen in connection with newly established schools.

The Swedish National Audit Office recommends that the National Agency for Education

- use its authority to produce a national template to report municipalities' school funding decisions to independent school authorities. If a standard rate for independent schools is introduced, this template will become redundant in the long term.