

AGENDA

Herefordshire Schools Forum

Date: **Monday 17 May 2010**

Time: **2.00 pm**

Place: **The Council Chamber, Brockington, 35 Hafod Road,
Hereford**

Notes: Please note the **time, date** and **venue** of the meeting.

For any further information please contact:

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Agenda for the Meeting of the Herefordshire Schools Forum

Membership

Chairman	Mrs JS Powell	Primary Headteacher (Community)
Vice-Chairman	Mr NPJ Griffiths	Secondary Headteacher (Community)
	Mr J A Chapman	Roman Catholic Church
	Mr P Burbidge	Roman Catholic Church
	Mrs S Catlow-Hawkins	Secondary Schools Headteacher (Voluntary Aided)
	Mr N O'Neil	Secondary Schools (Community)
	Mrs S Woodrow	Secondary Schools
	Vacancy	Secondary Headteachers
	Mr S Pugh	Primary Schools Headteacher (Community)
	Rev D Hyett	Voluntary Aided Primary School
	Mrs J Cecil	Primary Schools Headteacher (Voluntary Controlled)
	Mr P Box	Primary Schools
	Ms T Kneale	Primary Schools
	Vacancy	Primary Headteachers Small Schools
	Mrs J Baker	Secondary School Governor
	Vacancy	Special School Governor
	Mr T Edwards	Primary School Governor
	Mrs S Bailey	Special Schools
	Mrs E Christopher	Pupil Referral Unit Headteacher
	Mr J Docherty	Secondary Schools
	Mrs A Pritchard	Teaching Staff Representative
	Mr M Harrison	Teacher Representative
	Mr J Godfrey	14-19 Representative
	Mr A Shaw	14-19 Representatives
	Mrs A Jackson	Early Years Representative
Non Voting	Councillor JA Hyde	Observer
	Councillor PD Price	Observer
	Councillor WLS Bowen	Observer

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AGENDA

		Pages
1.	APOLOGIES FOR ABSENCE To receive apologies for absence.	
2.	NAMED SUBSTITUTES (IF ANY) To receive any details of Members nominated to attend the meeting in place of a Member of the Forum.	
3.	DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the Agenda.	
4.	MINUTES To approve and sign the Minutes of the meeting held on 23 February 2010.	1 - 6
5.	CHAIRMAN'S ANNOUNCEMENTS	
6.	LATE ITEMS/ANY OTHER BUSINESS To consider any issues raised as either a late item or any other business.	
7.	SCHOOLS FORUM REGULATIONS UPDATE That Schools Forum to note the updated regulations and consider the recommendations for implementation.	7 - 26
8.	REVISED CONSTITUTION OF THE SCHOOLS FORUM The Forum to amend its constitution to include a Members Code with regard to Declarations of Interest.	27 - 40
9.	FORECAST SCHOOL BALANCES 2009/10 To update Schools Forum on forecast school balances for 2009/10.	41 - 46
10.	CONSULTATION ON THE FUTURE DISTRIBUTION OF SCHOOL FUNDING To approve the response to the Department for Children, Schools and Families consultation paper on the future distribution of school funding.	47 - 170
11.	EXTENDED SCHOOLS REVIEW - ALLOCATION OF FUNDING FOR 2010/11 To inform the Schools Forum of the Extended Services funding allocations for 2010/11 and monitoring arrangements and to ask for endorsement of these.	171 - 176
12.	PROPOSAL TO REVIEW SEN/AEN FUNDING To note and endorse recommendations for further work on Special Educational Needs Funding.	177 - 192

13. TRADE UNION FACILITIES BUDGET - UPDATE REPORT

193 - 196

To provide an update on the Trade Union facilities budget in terms of the mechanism to better control the trade union facilities budget. The report is provided for Schools Forum to note.

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HEREFORDSHIRE COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Herefordshire Schools Forum held at Council Chamber, Brockington, 35 Hafod Road, Hereford HR1 1SH on Tuesday 23 February 2010 at 2.00 pm

Present: Mrs JS Powell (Chairman)
Mr NPJ Griffiths (Vice Chairman)

Mrs S Bailey, Mrs J Baker, Mr P Box, Mr P Burbidge, Mrs J Cecil,
Mr JA Chapman, Mrs E Christopher, Mr J Docherty, Mr T Edwards,
Mr M Harrisson, Rev. D Hyett, Mrs A Jackson, Mr N O'Neil, Ms A Pritchard,
Mr S Pugh, Mr A Shaw and Mrs S Woodrow.

In attendance: Councillors PD Price and WLS Bowen

65. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mrs Catlow-Hawkins, Ms T Kneale and Mrs R Lloyd.

66. NAMED SUBSTITUTES (IF ANY)

Mrs D Coates substituted for Ms T Kneale.

67. DECLARATIONS OF INTEREST

7. SCHOOL FUNDING 2010/11.

Mr M Harrisson, Personal, Trades Union representative for secondary schools..

7. SCHOOL FUNDING 2010/11.

Mrs JS Powell, Personal, Trade Union Branch Secretary..

68. MINUTES

RESOLVED: That subject to the following amendments, the Minutes of the meeting held on the 1 February 2010 be approved as a correct record and signed by the Chairman:

- (i) the words 'current year' in line 7 of paragraph 2 of Minute No.62 be replaced by the figures '2010/11';
- (ii) Resolution (ii) of Minute No.62 be deleted and replaced with the following words:

'Schools Forum notes the 2010/11 allocations of the proposed spending plan and that a report be submitted to the May Forum meeting detailing 2010/11 proposed allocations';
- (iii) the word 'fee' in line 3 of Minute No. 63 be replaced by the word 'free' and the words 'sub group' be deleted from line 5 in paragraph 2 of that Minute.

69. LATE ITEMS/ANY OTHER BUSINESS

In response to a question by the Chairman, the Director of Children's Services informed the Forum that to her knowledge, there were no volunteers from Forum Members to participate in the group reviewing Service Level Agreements (SLA). She added that perhaps there was a lack of understanding of what would be required of an SLA group member and that she would ensure that the Assistant Director Planning, Performance and Development would clarify this for Forum members.

The Chairman referred to the Budget Working Group and that it would be helpful that reports from that group included the names of its members. The Schools Finance Manager informed the Forum that he would ensure that membership names would be stated on future Working Group reports. He also advised that the group would be asked to elect a Chairman from the Headteacher members of the group at its next meeting and that it would be envisaged that the Chairman would present Working Group reports to the Forum. In response to a question raised by a member, the Forum was informed how the membership of the budget working group was elected.

The Forum agreed to the Chairman's proposal to take Agenda Item No.9 (Minute No. 71 refers) before Agenda Item No.7 (Minute No. 72 refers).

70. HARNESSING TECHNOLOGY GRANT: PERCENTAGE RETENTION BY LOCAL AUTHORITY TO PURCHASE EDUCATIONAL DIGITAL CONTENT AND HARDWARE FOR ALL SCHOOLS

In response to the Schools Forum request in December 2009, the ICT Advisor presented a report regarding the retention of a proportion of the 2010/11 Harnessing Technology Grant (as permitted under the rules of the grant) for the purchase of digital content and specific hardware at substantial discounts and as part of strategic county-wide, properly supported initiative for schools. He also advised the Forum that the Education City product was primarily for primary schools, early secondary and secondary special needs. He drew members' attention to the table of costings against a sample of schools at paragraph 19 of the report and advised that the figures were for illustration purposes and would be revised when the current pupil census numbers were confirmed.

In response to a member's question, the Assistant Director Improvement and Inclusion advised that the purchase of software licenses was for a two year period thus covering 2011/2012 when there would be no further grant available and also enabling the purchase to be capitalised. Kathy Roberts also noted that any further purchases after that time could be coordinated centrally in order to continue to benefit from bulk purchasing discounts. Mark Sanderson noted that any school which had already made such purchases could add their existing licence fee onto the end of the two year period.

The ICT Advisor informed the Forum that the penultimate paragraph on page 13 should be deleted as it was not a capital cost.

In response to an issue raised by a member, the ICT Advisor informed the Forum that the cost proposal before members would only be possible if all primary schools subscribed to it. The discounts currently available would be significantly less if schools were to purchase individually.

The Schools Finance Manager advised that the savings listed in the table in paragraph 19 were for illustrative purposes only. Final allocations of Harnessing Technology Grant would only be calculated when final pupil numbers were available and that there would also need to be a small adjustment for irrecoverable VAT.

The Chairman suggested and the Forum agreed, that any vote by the Forum should be in accordance with the majority view expressed by the primary school representatives in respect of primary schools and the secondary school representatives in respect of secondary schools.

RESOLVED: That Schools Forum

- (i) **approves the retention of 27% of the Harnessing Technology Grant for primary schools, special schools and Pupil Referral Units (£204,672) for the specific purchases / projects outlined in the report; and**
- (ii) **does not approve a fixed sum of £3,515 per secondary school (i.e. between 10% and 29% depending on school size) for the specific purchases / projects outlined in the report but approves the distribution of this grant to secondary schools budgets for them to decide how the grant will be spent.**

71. REPORT OF BUDGET WORKING GROUP - 22 JANUARY 2010

The Schools Finance Manager presented a report which requested the Forum to consider the recommendations of the Budget Working Group in agreeing a final budget for schools.

The Chairman referred to the recommendations on page 35 of the report and advised members that recommendations a, f, g and h were for consideration and decision and that recommendations b, c, d and e were for consideration at Item 7 on the agenda, Minute No. 72 refers.

The Schools Finance Manager informed the Forum that the agenda and reports of Budget Working Group were attached as an appendix to the report so that all the financial information and analysis would be available to all Forum members.

With regard to an issue raised regarding trades union facilities budget, the Director of Children's Services informed members that with the likelihood of more school redundancies more time will be taken on such issues by the trades union representatives. She informed the Forum that a review of expenditure was being undertaken by Human Resources to develop a new financial control process.

The Schools Finance Manager advised that the School balances claw-back proposals contained a typing error and that the parity Proposal figure of 80 in the penultimate line of the table on page 57 should read 68. Also, that the figure £45,0000 in the penultimate paragraph on page 57 should read £45,000.

The Schools Finance Manager drew members' attention to a further recommendation in paragraph 7 relating to Capital Transfers from Revenue which was an additional recommendation to those referred to on pages 35 and 37 of the report. He advised that currently, schools were able to transfer revenue to capital without limitation. However, the recommendation proposed was the first step to control such transfers.

RESOLVED: That

- (i) **the trade union facilities budget be cash limited at £32,000 for 2010/11 and measures be introduced for improved financial control**

with a report to be submitted to the July Forum meeting detailing these measures;

- (ii) sixth form free school meals be funded from the Learning and Skills Council funding allocated to schools and excluded from the percentage used to calculate all other factors relating to pre-16 pupils;**
- (iii) the changes contained in Proposal B of the Balance claw-back scheme i.e. the minimum amount for the primary schools and high schools be reduced by £5,000 i.e. primary £25,000 and high schools £45,000 for financial year 2010/11;**
- (iv) approves the rates rebates funding to be distributed to schools as follows;**
 - Primary and High schools to receive £46.65 per pupil.**
 - Special schools to receive £208.79 per pupil.**
 - Pupil Referral Units to receive £183.47 per pupil.**

and schools be given the choice of either full payment in 2010/11 or equal payment over the three years 2010/11-2012/13;

- (v) schools should not be able to transfer Revenue funding to Capital unless a Capital scheme has been approved by the local authority on a timely basis, or in the case of VA schools the Locally Controlled Voluntary Aided Programme Committee, and that a report be submitted to the Forum meeting in July to show how this will be implemented and monitored and the Head of Access and Capital Commissioning would be requested to present this at the July Schools Forum meeting.**

72. SCHOOL FUNDING 2010/11

The Schools Finance Manager presented a report with a view to recommending to the Cabinet Member for ICT, Education and Achievement the schools budget for 2010/11. He advised the Forum that he had drawn extensively on the Budget Working Group recommendations in setting out the report and the recommendations referred to on pages 17 and 18 on the agenda.

In response to a member's question, the Schools Finance Manager informed the Forum that in respect of the Single Early Years Funding Formulae for early years settings, the formula was comparable to other authorities in West Midlands and further work would be undertaken to compare the Herefordshire formula with Worcestershire, Shropshire and Gloucestershire early years formulas and the analysis would be brought back to the Forum.

The Schools Finance Manager referred to the table in page 20 regarding pupil numbers and informed the Forum that the figures in the table emphasised that the rate that pupil numbers were falling had slowed down.

The Assistant Director Improvement and Inclusion referred to the Provisional Pupil Referral Units (PRU) figures in Table b on page 21 and informed the Forum that a new

strategy was being prepared for PRUs and this would be reported to the July Forum meeting. The Head of Additional Needs would lead on this development and present to the Forum at the July meeting.

RESOLVED: (i) That the following schools budget for 2010/11 be recommended to the Cabinet Member for ICT, Education and Achievement:

- (a) The existing budget strategy be confirmed as
 - (i) Minimum Funding Guarantee (MFG) of 2.1%;
 - (ii) Headroom distribution of 50% on pupil numbers and 50% social deprivation;
 - (iii) Small Schools Protection remains frozen at 06/07 level;
 - (iv) The continued cash freeze of the PVI nursery budget until parity with Worcestershire, Shropshire and Gloucestershire is achieved;
 - (v) Changes to Dedicated Schools Grant (DSG) funded budgets to reflect known budget pressures/savings as indicated below;
 - (b) Budget planning be approved on estimated pupil numbers of 22,580;
 - (c) Budget increases be approved as set out in the report
 - (i) Banded Funding £260,000.
 - (ii) Special Schools in year admissions £75,000.
 - (iii) Out County placements £136,000.
 - (iv) Inter-authority recoupment £100,000.
 - (vi) Schools Forum approves these increases in the central expenditure limit to meet these demands;
 - (d) Increases in school budgets in paragraph 9d be noted;
 - (e) School budgets be subject to final adjustments when pupil numbers are confirmed from the January 2010 census and when banded funding allocations from the February panel are known.
- (ii) That the introduction of PRU charges of a fixed £6,500 per excluded pupil in 2010/11 and the £58,500 budget shortfall in 2011/12 be deferred for consideration at the July Forum meeting when the revised PRU strategy is to be considered.

73. SCHEME FOR FINANCING SCHOOLS

The Schools Finance Manager presented a report to approve statutory changes to the Herefordshire Scheme for Financing Schools for 2010/11.

RESOLVED: That the inclusion of paragraphs 2.15, 2.16 and 2.3.1 in the Appendix attached to the report into the Herefordshire Scheme for Financing Schools from April 2010 be approved

74. WORKPLAN

The Forum considered the Forum Work Programme.

RESOLVED: That the following items be added or amended with regard to

(i) May 2010 Work Programme

(a) DSG Review – dependent on publication by central government.

**(b) Banded Funding
(From 23 February meeting).**

(ii) July 2010 Work Programme

**(a) Trades Union Facilities Agreement.
(From 23 February meeting).**

**(b) Pupil Referral Unit Strategy and Charges for 2010/11 and budget shortfall.
(From 23 February meeting).**

**(c) Revenue to Capital Transfers – proposed monitoring and control process.
(From 23 February meeting).**

**(d) Dedicated School Grant Outturn.
(From 23 February meeting).**

The meeting ended at 3.58 pm

CHAIRMAN

MEETING:	SCHOOLS FORUM
DATE:	17 MAY 2010
TITLE OF REPORT:	SCHOOLS FORUM REGULATIONS UPDATE
OFFICER:	ASSISTANT DIRECTOR: IMPROVEMENT & INCLUSION

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

That Schools Forum note the updated regulations and consider the recommendations for implementation.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT SCHOOLS FORUM:

- (a) **is reconstituted by 1 September 2010 to ensure that membership is fully compliant with the amended statutory regulations: The Schools Forum (England) Regulations 2010 No. 344 (appendix 1);**
- (b) **Notes the amended School Budget Shares Regulations 2010 No. 190 (appendix 2) and the funding opportunities identified within;**
- (c) **Notes the amended School Finance Regulations 2010 No. 210 (appendix 3) and the funding opportunities identified within; and**
- (d) **Notes the enhanced links and responsibilities associated with the Children's Trust.**

Key Points Summary

- The Schools Forum (England) Regulations 2010 No. 344 amalgamates all previous changes and requires Schools Forum to have;
 - Academy members if there is at least one academy in the area;

Further information on the subject of this report is available from
Kathy Roberts, Assistant Director: Improvement & Inclusion on (01432) 260804

- Non-school members.
- The School Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2010 No. 190 takes into account provisions within the Apprenticeships, Skills, Children and Learning Act 2009 and enables schools to establish pooled budgets with partner agencies as well as contribute to the work of the Children's Trust Board.
- The School Finance (England) (Amendment) Regulations 2010 No. 210 enables local authorities to apply a lower weighting for dually registered pupils within their funding formula. The Scheme for Financing Schools must be published on a publicly available web-site and any revisions must be made available as soon as they come into force.
- The Schools Forum and Children's Trust Board need to work in partnership to ensure the best outcomes for all children and young people. In particular the Children's Trust must consult with Schools Forum on the development of the Children and Young Peoples Plan.

Alternative Options

- 1 There are no alternative options as this paper identifies updated statutory regulations.

Reasons for Recommendations

- 2 To enable Schools Forum to fulfil its statutory responsibilities.

Introduction and Background

- 3 The DCSF has recently amended the statutory requirements of Schools Forums in England in order to ensure that the constituted membership includes representatives from Academies and non-school members as appropriate. Herefordshire Schools Forum reviewed its membership in 2009 and already incorporates non-school members. The constitution therefore needs to be extended to incorporate Academy representatives.
- 4 The DCSF further reviewed Budget Shares and Finance Regulations in order to support the developing learning routes for children and young people as identified in the Apprenticeships, Skills, Children and Learning Act 2009. The amendments also enable schools to pool resources with partner agencies and/or contribute to the work of the Children's Trust Board.

Key Considerations

5 **Membership:**

The main changes to these regulations relate to the membership of the Forum, and specifically to Academies and non-school members. The regulations will come into force on 1 April 2010, and Schools Forums will need to be reconstituted by 1 September 2010.

- 6 There is a new requirement that there must be at least one Academy member on a Schools Forum where there are Academies in the local authority's area. Academies are growing in number and their budgets are calculated on the basis of their local authority's formula for funding schools and are therefore directly affected by decisions the Schools Forum may take. In some authorities, the proportion of secondary age pupils in Academies is significant and it is only right, therefore, that these pupils' needs are represented. The requirement is consistent with that for nursery and special schools, which must have representation if there are any such schools in an authority's area

- 7 Arrangements for the clawback of funding from Academies for permanently excluded pupils are also being brought further into line with other maintained schools. Once Schools Forums have been reconstituted to include academy members, the liability to pay the authority if a pupil is permanently excluded will be extended to cover not just an amount equal to the statutory deduction but also any local 'top-up' amounts payable by schools under "hard to place" or "managed moves" protocols. The liability should be reflected in a local agreement as set out in the Department's letters of 12 March and 14 November 2008.
- 8 There may need to be more than one Academy member on the Forum if the pupil numbers in Academies justify this on a basis of broad proportionality, and local authorities will need to review this as the number of Academies increases. The Academy member(s) represents the governing bodies of the Academies situated in the authority's area, so does not necessarily have to be a Principal or a governor. It is for the governing bodies of the Academies concerned to elect the member(s); if there is only one Academy in the authority's area, its governing body will select the member. The local authority will, however, need to inform the Academies of the change to the regulations, and may need to assist the Academies in setting up the process for an election if there are no existing meetings at which Academies gather together.
- 9 A small number of Schools Forums do not have non-schools members. It will now become a requirement for them to appoint members in this category; non-schools members must include a representative of the early years private, voluntary and independent (PVI) sector, and of the 14-19 partnership. With the introduction of the Early Years Single Funding Formula (EYSFF), it is particularly important that there is PVI representation on all Forums. Representation of the 14-19 partnership is being required because of policy developments in this area, in particular diplomas.
- 10 There is a new requirement on local authorities to appoint a schools or Academy member where an election for these members does not take place by any date set by the authority or an election results in a tie between two or more candidates. Authorities should, therefore, set deadlines by which schools or Academy member elections should take place, ensuring that there is a reasonable time left prior to the new term of office starting. Where an authority has to take a decision on the appointment of a schools or Academy member, they might wish to have regard to individuals' previous membership and attendance, their competences and skills, and the balance of membership between different types of school.
- 11 Reference to the Learning and Skills Council (LSC) and its observer status has been removed because it ceased to exist from 1st April 2010 and those of its functions most relevant to Schools Forums transfer to local authorities from that date. The representation of the 14-19 partnership will be sufficient to ensure that non-school providers have a voice.
- 12 **Budget:**
- The Apprenticeships, Skills, Children and Learning Act 2009 added school governing bodies to the list of "relevant partners" who are under a duty to co-operate with the local authority and the other relevant partners through the Children's Trust co-operation arrangements, and to be represented on the Children's Trust Board. These regulations allow schools to make contributions from their delegated budget to pooled budgets for improving children's well-being to which other Children's Trust 'relevant partners' may contribute and towards the work of the Children's Trust Board.
- 13 Many local authorities will already be used to operating pooled budgets in children's services, usually with a Primary Care Trust. The amended regulations will now enable, from 1 March 2010, an individual school to operate a joint budget with another service (eg health) or another school where that would be beneficial for their pupils, or to contribute staff, goods, services,

accommodation or other resources to such an arrangement. Special schools may find this particularly helpful. Over time, as partnership arrangements develop both between schools and with other services, as envisaged in the 21st Century Schools White Paper, this may become more common. Where this power is used, schools must work with the local authority to ensure that the correct arrangements are followed, as formal pooling has specific legal, accounting and audit requirements.

- 14 From 1 April 2010, the regulations will allow schools to contribute funding or other resources towards the work of partnerships within the local Children's Trust, including the Children's Trust Board.
- 15 The main areas of activity for Children's Trust partners are to:
 - Develop and promote a local vision – set out in the Children and Young People's Plan (CYPP) – to drive improved outcomes for local children, young people and their families;
 - Achieve this through better integrated services which narrow gaps in outcomes for disadvantaged groups against a background of improved outcomes for all;
 - Have robust arrangements for interagency governance (i.e. the Children's Trust Board);
 - Develop better integrated strategies such as strategic commissioning with pooled or aligned budgets, shared data and other information, and workforce development;
 - Support those strategies via more integrated processes including effective joint working sustained by a shared understanding of professional language and common systems; and
 - Develop and promote better integrated front line delivery, organised around the child, young person or their family in a setting that supports family life rather than professional or institutional barriers.
- 16 In addition the Children's Trust Board, on which schools must be represented, is responsible for
 - Developing and publishing the CYPP, keeping it under review and revising it; and
 - Monitoring progress and producing a report on the extent to which the Children's Trust partners deliver their commitments in the CYPP.
- 17 As well as governing bodies of maintained schools and the children's services authority, the other statutory 'relevant partners' in a Children's Trust are:
 - District councils in two-tier areas
 - The police authority and the chief officer of police for a police area any part of which falls within the area of the children's services authority
 - A local probation board for an area any part of which falls within the area of the authority
 - A youth offending team for an area any part of which falls within the area of the authority
 - A Strategic Health Authority and Primary Care Trust for an area any part of which falls within the area of the authority
 - Connexions services
 - Proprietors of non-maintained special schools situated in the authority's area
 - Proprietors of city technology colleges, city colleges for the technology of the arts and Academies situated in the authority's area
 - Governing bodies of further education institutions (including sixth form colleges), the main site of which is situated in the authority's area

- Jobcentre Plus
- Short Stay Schools/Pupil Referral Units (under regulations currently being made)

- 18 Separate statutory guidance is being issued on the wider issues relating to Children's Trusts to which all 'relevant partners' must have regard.
- 19 Where a contribution is sought from the central part of the Schools Budget towards the operation of the Children's Trust, then this can already be done as a contribution to combined budgets. It requires Schools Forum approval, and a demonstration that there is an educational benefit to pupils.
- 20 The Children's Trust Board will consult the Schools Forum when preparing its Children and Young People's Plan. This will enable the Schools Forum to have strategic input into agreeing strategic local priorities.
- 21 **Finance:**
- The revised School Finance Regulations come into force on 8 March 2010. Many of the changes proposed in the original consultation related to the Early Years Single Funding Formula (EYSFF); following the ministerial announcement in December 2009, the requirement to implement was postponed to the 2011-12 financial year. Therefore, there are no changes to the regulations for the purpose of the EYSFF for 2010-11, and local authorities who are EYSFF pilots or pathfinders have had to ask to have regulations disapplied. Herefordshire is a pathfinder and has implemented the single funding formula as planned.
- 22 Of the remaining issues in the consultation, it will be a requirement for local authorities to publish their latest version of their Scheme for Funding Schools on a publicly accessible website. Revised versions of the Scheme must also be published before the date from which the revisions take effect, and it must be made clear when this date is. At present, authorities are required to publish Schemes, but the means is at the discretion of the authority.
- 23 It will now be possible for local authorities to give a lower weighting to dually registered pupils in the pupil count when determining school formula budgets. Previously, authorities were required to fully count the pupil at each school. This was inconsistent with the method of calculating Dedicated Schools Grant (DSG), which adjusts for these pupils. The original consultation proposed that local authorities should be required to exclude from their pupil count those at Key Stage Four who are registered at a school solely for the purpose of accessing practical and applied learning. A number of authorities rightly pointed out that dual registration exists in other settings, such as a special school pupil spending time in a mainstream school. The flexibility has, therefore, been widened in response to the consultation, and the original requirement removed given that there is already flexibility relating to adjustment of Key Stage Four funding levels. The regulations have been amended to allow differential weighting of any dually registered pupils.
- 24 The final change is to add references to the Young People's Learning Agency (YPLA) in respect of post-16 school funding. The YPLA takes over a number of functions from the Learning and Skills Council (LSC) from 1 April 2010. These include the operation of the national funding formula underlying post-16 allocations in schools' delegated budgets, and the payment of these allocations to LAs for transmission to schools.

Community Impact

- 25 The amended regulations enable schools to use their delegated funding to develop working partnerships and support to the activities of the Children's Trust Board.

- 26 The amended regulations enable flexibility of funding to support the effective delivery of learning choices for young people.

Financial Implications

- 27 There are no financial implications to the implementation of the amended statutory legislation. Rather, the legislation provides more flexibility to schools in the use of their delegated budgets to meet the needs of their children and young people.

Legal Implications

- 28 This paper presents the newly amended statutory framework for the operation of Schools Forums in England.
- 29 These proposals comply with the Councils legal duties.

Risk Management

- 30 Schools Forum needs to ensure it is fulfilling the new statutory legislation within the time frames set i.e. new constitution by 1 September 2010, received Finance Regulations 8 March 2010.

Consultees

- 31 None.

Appendices

- Appendix 1 The Schools Forum (England) Regulations 2010 No. 344
- Appendix 2 School Budget Shares Regulations 2010 No. 190
- Appendix 3 School Finance Regulations 2010 No. 210

Background Papers

Proposed Changes to the Schools Forum Constitution

Investing for the future, protecting the front line: school funding 2010-13

 STATUTORY INSTRUMENTS

2010 No. 344**EDUCATION, ENGLAND****The Schools Forums (England) Regulations 2010**

Made - - - - *15th February 2010*

Laid before Parliament *23rd February 2010*

Coming into force - - *1st April 2010*

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1. Citation, commencement, application and interpretation
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9. Consultation on contracts
10. Consultation on financial issues
11. Information about consultations
12. Charging of schools forum's expenses
13. Members' expenses

The Secretary of State for Children, Schools and Families makes the following Regulations in exercise of the powers conferred by sections 47A and 138(7) of the School Standards and Framework Act 1998(a):

Citation, commencement, application and interpretation

1.—(1) These Regulations may be cited as the Schools Forums (England) Regulations 2010 and come into force on 1st April 2010.

(2) These Regulations apply only in relation to England.

(3) In these Regulations—

“the Act” means the School Standards and Framework Act 1998;

(a) 1998 c.31. Section 47A was inserted by section 43 of the Education Act 2002 (c.32) and has been amended by section 101 of, and paragraph 7 of Schedule 16 to, the Education Act 2005 (c.18); sections 57 and 184 of, and paragraphs 2(1), (3) and (4) of Schedule 5 and Part 6 of Schedule 18, to the Education and Inspections Act 2006 (c.40) and by sections 165 and 169 of and Schedule 2 to the Education and Skills Act 2008 (c.25). For the meaning of “prescribed” and “regulations” see section 142(1) of the School Standards and Framework Act 1998.

“Academy” means an independent school in England to which an agreement under section 482 of the Education Act 1996(a) relates;

“Academies member” means a member who represents the governing bodies of the Academies situated in the authority’s area;

“authority” means the local authority in whose area the schools forum is established but, until such time as a section 162(1)(a) order comes into force, “local authority” means “local education authority”;

“early years providers” means—

(a) persons who are registered as early years childminders or other early years providers under Chapter 2 of Part 3 of the Childcare Act 2006(b) (which provides for the compulsory registration of persons providing early years provision) or are exempt from compulsory registration by order of the Secretary of State under section 33(2) or 34(3) of that Act;

(b) independent schools; and

(c) non-maintained special schools,
who provide early years provision;

“early years provision” has the meaning given by section 20 of the Childcare Act 2006;

“executive member” means any elected member of the authority appointed to the executive of that authority;

“governor” includes any interim executive member of an interim executive board;

“head teacher’s representative” means a senior member of staff representing a head teacher;

“interim executive board” is to be construed in accordance with paragraph 2 of Schedule 6 to the Education and Inspections Act 2006(c);

“local authority 14-19 partnership” means the arrangements described in section 85(2) and (3) of the Education and Skills Act 2008(d);

“nursery school” means a nursery school maintained by the authority;

“primary school” means a primary school maintained by the authority;

“relevant officer” means—

(a) the director of children’s services of the authority; or

(b) any officer employed or engaged to work under the management of the director of children’s services, other than—

(i) one who directly provides education to children or who manages such a person; or

(ii) a school improvement partner;

“representative” means either a head teacher or head teacher’s representative or a governor of a school maintained by the authority;

“school” means a school maintained by the authority;

“school category” means one of the following categories of school—

(a) community schools,

(b) foundation schools,

(c) voluntary aided schools,

(d) voluntary controlled schools,

as described in Chapter 1 of Part 2 of the Act;

(a) Section 482 of the Education Act 1996 was substituted by section 65 of the Education Act 2002 (c.32).

(b) 2006 c.21.

(c) 2006 c.40.

(d) 2008 c.25.

“section 162(1)(a) order” means an order under subsection (1) of section 162 of the Education and Inspections Act 2006^(a) containing provision made by virtue of paragraph (a) of that subsection (power to replace statutory references to local education authorities with references to local authorities);

“school improvement partner” means a person appointed by the authority under section 5 of the Education and Inspections Act 2006;

“secondary school” means a secondary school maintained by the authority;

“senior member of staff” means a principal, deputy head teacher, bursar or other person responsible for the financial management of the school;

“special school” means a community special school or a foundation special school.

(4) In these Regulations, a reference to a governing body does not include a reference to the temporary governing body of a new school and a reference to a governor does not include a reference to a member of the temporary governing body of a new school, where “new school” has the meaning given by section 72(3) of the Act^(b).

Revocations

2. The following Regulations are revoked—

- (a) the Schools Forums (England) Regulations 2002^(c);
- (b) the Schools Forums (England) (Amendment) Regulations 2004^(d);
- (c) the Schools Forums (England) (Amendment) Regulations 2005^(e); and
- (d) the Schools Forums (England) (Amendment) Regulations 2008^(f).

Constitution of schools forum

3. Every authority must ensure that the schools forum for their area is constituted in accordance with regulations 4 to 7 by 1st September 2010.

Membership: general

4.—(1) Subject to the following paragraphs of this regulation, an authority may determine the size and composition of their schools forum and the forum members’ terms of office.

(2) Subject to paragraph (3), a forum must consist of at least 15 members, comprising—

- (a) schools members elected in accordance with regulation 5;
- (b) if there are any Academies in the authority’s area, at least one Academies member elected or selected in accordance with regulation 6; and
- (c) non-schools members appointed in accordance with regulation 7.

(3) If, for any reason, an election for a schools member under regulation 5(1) or an Academies member under regulation 6(1) does not take place by any date set by the authority or any such election results in a tie between two or more candidates, the authority must appoint the schools member or Academies member to their schools forum instead.

(4) Schools members and Academies members must together comprise at least two thirds of the membership of the forum.

(a) 2006 c. 40.

(b) Section 72(3) was amended by section 215(1) of, and paragraph 106 of Schedule 21 to, the Education Act 2002.

(c) S.I. 2002/2114.

(d) S.I. 2004/447.

(e) S.I. 2005/3209.

(f) S.I. 2008/47.

(5) Subject to paragraphs (6) to (8), primary schools, secondary schools and Academies must be broadly proportionately represented on the forum, having regard to the total number of pupils registered at them.

(6) Where the authority maintain one or more special schools, at least one schools member must be a representative of a special school.

(7) Where the authority maintain one or more nursery schools, at least one schools member must be a representative of a nursery school.

(8) An authority may determine that the number of members representing schools in a particular school category must be broadly proportionate to the total number of schools in that category when compared with the total number of schools maintained by the authority.

(9) A forum member remains in office until—

- (a) the member's term of office expires;
- (b) the member ceases to hold the office by virtue of which the member became eligible for election, selection or appointment to the forum;
- (c) the member resigns from the forum by giving notice in writing to the authority; or
- (d) in the case of a non-schools member, the member is replaced by the authority, at the request of the body which the member represents, by another person nominated by that body,

whichever comes first.

(10) The authority must maintain a written record of the composition of their forum, to include—

- (a) the numbers of schools members and by which group or sub-group they were elected;
- (b) the number of Academies members; and
- (c) the number of non-schools members, their terms of office, how they were chosen and whom they represent.

Schools members

5.—(1) Schools members must be elected to the schools forum by the members of the relevant group, or sub-group in the authority's area.

(2) The groups are—

- (a) representatives of nursery schools, where there are any such schools in the authority's area;
- (b) representatives of primary schools other than nursery schools;
- (c) representatives of secondary schools; and
- (d) representatives of special schools, where there are any such schools in the authority's area.

(3) Each group referred to in paragraph (2) may consist of one or more of the following sub-groups—

- (a) where the authority exercises its discretion under paragraph (4)(a), representatives of head teachers of schools in each group;
- (b) where the authority exercises its discretion under paragraph (4)(b), representatives of governors of schools in each group;
- (c) where the authority exercises its discretion under paragraph 4(c), representatives of head teachers and governors of schools in each group;
- (d) where the authority exercises its discretion under regulation 4(8), representatives of the particular school category.

(4) The authority may determine that a certain number of representatives of each group must be—

- (a) head teachers or head teachers' representatives;
- (b) governors; or
- (c) head teachers or head teachers' representatives and governors.

Academies members

6.—(1) Subject to paragraph (2), Academies members must be elected to the schools forum by the governing bodies of the Academies in the authority's area.

(2) Where there is only one Academy in the authority's area, the governing body of the Academy must select the person who will represent them on the schools forum.

Non-schools members

7.—(1) The authority must appoint non-schools members to their schools forum comprising—

- (a) one or more persons to represent the local authority 14-19 partnership; and
- (b) one or more persons to represent early years providers.

(2) Subject to paragraph (3), the authority may appoint additional non-schools members to their forum to represent the interests of other bodies.

(3) Prior to making any appointment under paragraph (2), the authority must consider whether the following bodies should be represented on their forum—

- (a) the Diocesan Board of Education for any diocese any part of which is situated in the authority's area;
- (b) the Bishop of any Roman Catholic Diocese any part of which is situated in the authority's area;
- (c) where there are any schools or Academies within the authority's area that are designated under section 69(3) of the Act^(a) as having a religious character (other than Church of England or Roman Catholic schools), the appropriate faith group in respect of any such school or Academy.

(4) The authority may not appoint any executive member or relevant officer of the authority to their forum as a non-schools member.

(5) Within one month of the appointment of any non-schools member, the authority must inform the governing bodies of schools maintained by them and of Academies within their area of the name of the member and the name of the body that member represents.

Meetings and proceedings of schools forum

8.—(1) The schools forum must meet at least four times a year and are quorate if at least two fifths of the total membership is present at a meeting.

(2) Any elected member or officer of the authority who is not a member of the forum may attend and speak at meetings of the forum.

(3) Subject to paragraph (4), the members of the forum must elect a person as chair from among their number and determine the chair's term of office.

(4) The members of the forum may not elect as chair any member of the forum who is an elected member or officer of the authority.

(5) Subject to paragraph (7), the members of the forum may determine their own voting procedures.

(6) The proceedings of the forum are not invalidated by—

- (a) any vacancy among their number;

(a) Section 69(3) also applies to independent schools (which includes Academies) by virtue of section 124B, which was inserted by regulations 2 and 3 of S.I. 2003/2037.

- (b) any defect in the election or appointment of any member; or
- (c) any defect in the election of the chair.

(7) The authority must make arrangements to enable substitutes to attend and vote at meetings of the forum on behalf of schools members, Academies members and non-schools members, in consultation with members of the forum.

Consultation on contracts

9. The authority must consult the schools forum on the terms of any proposed contract for supplies or services (being a contract paid or to be paid out of the authority's schools budget where the estimated value of the proposed contract is not less than the threshold which applies to the authority for that proposed contract pursuant to regulation 8 of the Public Contracts Regulations 2006(a) at least one month prior to the issue of invitations to tender.

Consultation on financial issues

10.—(1) The authority must consult the schools forum annually in respect of the authority's functions relating to the schools budget, in connection with the following—

- (a) arrangements for the education of pupils with special educational needs;
- (b) arrangements for the use of pupil referral units and the education of children otherwise than at school;
- (c) arrangements for early years provision;
- (d) arrangements for insurance;
- (e) administrative arrangements for the allocation of central government grants paid to schools via the authority;
- (f) arrangements for free school meals.

(2) The authority may consult the forum on such other matters concerning the funding of schools as they see fit.

Information about consultations

11. The schools forum must inform the governing bodies of schools maintained by the authority of any consultation carried out by the authority under regulation 9 or 10, as soon as it reasonably can.

Charging of schools forum's expenses

12. The authority must pay the expenses of the schools forum and charge those expenses to the schools budget.

Members' expenses

13. The authority must reimburse all reasonable expenses of members in connection with their attendance at meetings of the forum and charge those expenses to the schools budget.

Vernon Coaker
Minister of State

15th February 2010

Department for Children, Schools and Families

(a) S.I. 2006/5.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations revoke and replace the Schools Forums (England) Regulations 2002 and the Regulations which amended those Regulations.

Regulations 3 to 8 provide for the constitution of a schools forum in every local authority in England, including the election of schools members, the election or selection of Academies members and the appointment of non-schools members to the schools forum, their meetings and proceedings. The requirements to elect or select Academies members and to appoint non-schools members are new.

Regulations 9 to 11 require the authority to consult their schools forum before entering into certain types of contract and annually in relation to a range of financial issues and the governing bodies of schools maintained by them to be informed of any such consultation.

Regulations 12 and 13 require the authority to pay the expenses of their schools forum out of the schools budget and the reasonable expenses of its members.

A full regulatory impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.

 STATUTORY INSTRUMENTS

2010 No. 190**EDUCATION, ENGLAND**
**The School Budget Shares (Prescribed Purposes) (England)
 (Amendment) Regulations 2010**

<i>Made</i>	- - - -	<i>2nd February 2010</i>
<i>Laid before Parliament</i>		<i>8th February 2010</i>
<i>Coming into force</i>		
<i>Regulations 1 and 2(1) and (2)</i>		<i>1st March 2010</i>
<i>Regulation 2(3)</i>		<i>1st April 2010</i>

The Secretary of State for Children, Schools and Families makes the following Regulations in exercise of the powers conferred by section 50(3)(b) of the School Standards and Framework Act 1998(a):

Citation, commencement and application

1.—(1) These Regulations may be cited as the School Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2010.

(2) Subject to paragraph (3), these Regulations come into force on 1st March 2010.

(3) Regulation 2(3) comes into force on 1st April 2010.

(4) These Regulations apply only in relation to England.

Amendment of the School Budget Shares (Prescribed Purposes) (England) Regulations 2002

2.—(1) The School Budget Shares (Prescribed Purposes) (England) Regulations 2002(b) are amended as follows.

(2) In regulation 3, after sub-paragraph (c) insert—

“(d) (i) the provision of staff, goods, services, accommodation or other resources to a relevant person or body; or

(ii) the making of contributions to a fund out of which relevant payments may be made,

for the purposes of arrangements made under section 10 of the Children Act 2004 (co-operation to improve well-being)(c) (“CA 2004”), and in this sub-paragraph “relevant person or body” and “relevant payment” have the meanings given by section 10(11) of CA 2004;”.

(3) In regulation 3, after sub-paragraph (d) insert—

(a) 1998 c.31. For the meaning of “prescribed” and “regulations” see section 142(1) of that Act.

(b) S.I. 2002/378, as amended by S.I. 2004/444.

(c) 2004 c. 31. Section 10 was amended by section 193 of the Apprenticeships, Skills, Children and Learning Act 2009 (c.22).

- “(e) (i) the provision of staff, goods, services, accommodation or other resources ; or
(ii) the making of payments towards expenditure incurred,
by, or for purposes connected with the functions of, the Children’s Trust Board(a)
for the area in which the school is situated.”.

Vernon Coaker
Minister of State

2nd February 2010

Department for Children, Schools and Families

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the School Budget Shares (Prescribed Purposes) (England) Regulations 2002.

They enable the governing bodies of maintained schools to use their school budget shares to provide staff, goods, services, accommodation and other resources and make financial contributions to a fund established either by the Children’s Services Authority(b) in whose area the school is situated or by any of the authority’s relevant partners, with a view to improving the well-being of children and relevant young persons in that area, in accordance with section 10 of the Children Act 2004.

They also enable these governing bodies to make the same types of provision for purposes connected with the functions of the Children’s Trust Board in whose area the school is situated, in accordance with section 12C of the Children Act 2004.

A full regulatory impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.

(a) Sections 12A to 12D of the Children Act 2004 make provision for the establishment, functions, funding and supply of information to Children’s Trust Boards. These sections are inserted by section 194 of the Apprenticeships, Skills, Children and Learning Act 2009.

(b) As defined in section 65 of the Children Act 2004.

 STATUTORY INSTRUMENTS

2010 No. 210**EDUCATION, ENGLAND****The School Finance (England) (Amendment) Regulations 2010**

Made - - - - *4th February 2010*

Laid before Parliament *11th February 2010*

Coming into force - - *8th March 2010*

The Secretary of State for Children, Schools and Families makes the following Regulations in exercise of the powers conferred by sections 47, 48, and 138(7) of and paragraph 1(7) of Schedule 14 to the School Standards and Framework Act 1998^(a):

Citation, commencement and application

1.—(1) These Regulations may be cited as the School Finance (England) (Amendment) Regulations 2010 and come into force on 8th March 2010.

(2) These Regulations apply only in relation to England.

Amendment of the School Finance (England) Regulations 2008

2. The School Finance (England) Regulations 2008^(b) are amended in accordance with the following regulations.

3. In regulation 1(4)—

(a) after the definition of “the 2006 Act”, insert—

““the 2009 Act” means the Apprenticeships, Skills, Children and Learning Act 2009^(c)”;

(b) for the definition of “admission number”, substitute—

““admission number” means the number of children in any relevant age group intended to be admitted in any school year as determined or, where the context requires, proposed to be determined by an admission authority in accordance with section 88D of the 1998 Act^(d)”;

(c) for the definition of “specific grant”, substitute—

““specific grant” means any grant (other than the Dedicated Schools Grant or any grant made by the LSC under section 7 of the 2000 Act or by the YPLA under section 61 of

(a) 1998 c.31. Section 47 was amended by paragraph 6 of Schedule 16 to the Education Act 2005 (c. 18), section 48 amended by paragraph 2 of Schedule 3 to the Education Act 2002 (c.32) and paragraph 1(7) of Schedule 14 was substituted by paragraph 5 of Schedule 5 to the Education and Inspections Act 2006 (c.40). For the meaning of “prescribed” and “regulations”, see section 142(1).

(b) S.I. 2008/228.

(c) 2009 c.22.

(d) 1998 c.31. Section 88D was inserted by section 151(1) and (4) of the Education and Skills Act 2008 (c.25).

the 2009 Act) paid to a local authority under conditions which impose restrictions on the particular purposes for which the grant may be used;”;

(d) at the end of the definition of “termination of employment costs”, for the full stop substitute a semi-colon;

(e) after the definition of “termination of employment costs”, insert—

““YPLA” is the Young People’s Learning Agency for England(a);”.

4. In regulation 15—

(a) in paragraph (2)—

(i) in sub-paragraph (a)(i), for “recognised as” substitute “have”; and

(ii) in sub-paragraph (b), after “(sixth form pupils)” insert “or the YPLA (sixth form pupils)”.

(b) at the end of paragraph (4)(h), omit “and”; and

(c) at the end of paragraph (4)(i), for the full stop substitute a semi-colon and after paragraph (4)(i) insert—

“(j) whether the pupil is registered at more than one maintained school;”.

5. In regulation 21—

(a) in paragraph (1), after “LSC” insert “or the YPLA”;

(b) in paragraph (3), after “LSC’s” insert “or the YPLA’s”; and

(c) in paragraph (4), after “LSC” insert “or the YPLA”.

6. In regulation 23(2), after “section 7 of the 2000 Act” insert “or by the YPLA under section 61 of the 2009 Act”.

7. For regulation 28, substitute—

“28.—(1) A local education authority—

(a) must publish their scheme on a website which is accessible to the general public; and

(b) may publish it elsewhere, in such manner as they see fit.

(2) Whenever a local education authority revise the whole or part of their scheme they must publish the scheme as revised on a website which is accessible to the general public by the date that the revisions are due to come into force, together with a statement that the revised scheme comes into force on that date.”.

8. In paragraph 1(a) of Schedule 4, after “Act” insert “or by the YPLA under section 61 of the 2009 Act”.

Vernon Coaker
Minister of State

4th February 2010

Department for Children, Schools and Families

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make a number of minor amendments to the School Finance (England) Regulations 2008, including amendments to—

(a) The Young People’s Learning Agency for England is established under section 60 of the Apprenticeships, Skills, Children and Learning Act 2009 (c. 22).

- (a) take account of the establishment of the Young People's Learning Agency for England;
- (b) allow local education authorities to weight pupil numbers according to whether pupils are registered at more than one maintained school, when determining and redetermining budget shares; and
- (c) require local education authorities to publish their financial schemes on a website accessible to the general public.

A full regulatory impact assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen

MEETING:	SCHOOLS FORUM
DATE:	17 MAY 2010
TITLE OF REPORT:	REVISED CONSTITUTION FOR SCHOOLS FORUM
OFFICER	INTERIM ASSISTANT CHIEF EXECUTIVE – LEGAL AND DEMOCRATIC

CLASSIFICATION: Open

Wards Affected

County-wide – All Schools.

Purpose

That the Forum amends its constitution to include a Members Code with regard to Declarations of Interest.

Key Decision

This is not a Key Decision.

Recommendation(s)

That the Schools Forum approves

- (a) the proposed amendment to the Schools Forum constitution as set out in paragraph 6 of the report; and**
- (b) the requirement for members to complete a Notification of Interests form.**

Key Points Summary

- A specific Code within the constitution relating to Declarations of Interest.
- When becoming a member of the Forum members will be bound to adhere to the Code.

Alternative Options

To continue with the current protocol.

Reasons for Recommendations

- 1 Whilst agreeing to make declarations of interest where appropriate using Herefordshire Council's Code for guidance, there should be provision for a specific Code regarding declarations of interest within the constitution of the Forum for its members to adhere to.

Further information on the subject of this report is available from
Paul Rogers, Democratic Services Officer on (01432) 383408

- 2 The current protocol does not ensure that Forum members are bound to disclose interests. The recommended protocol will ensure that members are duty bound to make disclosures in accordance with the Code as contained within the constitution.

Introduction and Background

- 3 A Declarations of Interest item has always been included on the Agenda for Forum meetings which has given members the opportunity to declare any interests in relation to items that appear on the Agenda. Although the Forum's constitution does not make specific reference to the need for members to declare interests, the protocol used as a basis in such instances where it might be appropriate for members to declare an interest has been Herefordshire Council's Code.
- 4 The Council's Code applies to Herefordshire Council's elected members and co-opted non elected members only. In signing up to the Code, Herefordshire Councillors are bound to adhere to the Code when representing the Council on outside bodies such as the Schools Forum. Co-opted members adhere to the Code as members on Council Committees and meetings only.
- 5 It is suggested that the following paragraph be included within the constitution:

'It is recognised that all Schools Group members will have an interest in at least one school. It is important that members should declare if the item under discussion could make a material difference to that school, or where they may have a personal or prejudicial interest. Notwithstanding this, a member may continue contributing to the discussion, but should not take any part in any decision made concerning that particular proposal which uniquely changes funding for their particular school/schools. (An advice note concerning declarations of interest is attached as an appendix to the constitution).'

The advice note referred to above is as follows:

'ADVICE NOTES CONCERNING DECLARATIONS OF INTEREST

There are many instances where a decision on an issue will have an effect on all schools, be it on a pro rata basis, and as such members would not declare an interest. Where a decision on an issue 'uniquely' affects one particular school, at which the member is, for example, the headteacher of that school, or where the head teacher's children attend, then it would be appropriate for an interest to be declared.

In considering the declaration of an interest, a Member of the Forum should apply the following test: would a member of the public, knowing the facts of the situation, reasonably think that the member might be influenced by the interest?

A prejudicial interest would include the situation whereby a proposal uniquely affects either a school at which they are a head teacher/governor or which their children attend.

Any member who requires advice/guidance concerning declarations of interest or any other issue concerning the Forum should contact the Clerk in the first instance on telephone number.'

Attached to the report as an Appendix is the Forum constitution showing the above wording at paragraph 17. Attached to the constitution is Annex 2 setting out the advice notes as referred to above.

- 6 When becoming a member of the Forum, members would be required to complete a Notification of Interests form detailing their interests. In agreeing to this requirement, the current members will be required to complete the Notification of Interests as soon as possible.

Key Considerations

7 There is a need to formalise the protocol with regard to declarations of interest to protect the integrity of members and the Forum. The proposals in the report achieve this aim.

Community Impact

8 None

Financial Implications

9 None

Legal Implications

10 None.

Risk Management

11 There are no known risks.

Consultees

12 None.

Appendices

Copy of the Schools Forum constitution.

Background Papers

Schools Forum constitution.

Schools Forum Constitutions from several Councils.

HEREFORDSHIRE SCHOOLS FORUM MEMBERSHIP AND CONSTITUTION

1. Introduction

The Schools Forum is established by virtue of 47A of the School Standards and Framework Act 1998 (as amended by the Education Act 2002) and the School Finance (England) Regulations 2006.

2. Function

The Schools Forum will have several main functions as listed below, but may also consult on other items that the Local Authority deems appropriate. Details are defined in the Schools Forum (England) Regulations 2002 and School Finance (England) Regulations 2006 as well as guidance issued by the Department for Education Skills, subsequently updated under the Department for Children Schools and Families (DCSF), including the School Finance Regulations 2008.

3. Purpose of the Forum

Regulations prescribe three main functions on which the Local Authority must consult the forum as follows:

- a. On changes to the schools funding formula
- b. On the terms of contracts to be let by the Local Authority for services to schools, paid from the schools budget. (Subject to a de-minimis level)
- c. On issues relating to the management of the Schools Budget, including:
 - arrangements for the education of pupils with special educational needs
 - arrangements for the use of pupil referral units and the education of children otherwise than at school
 - arrangements for early years education
 - insurance arrangements
 - prospective revisions to the Local Authority's financing scheme for the financing of schools
 - administration of central government grants to schools
 - arrangements for free school meals

The Local Authority will consult the Forum on Local Authority Budget Issues.

4. Powers and Duties

The schools forum is an advisory body, established to represent schools views to the Local Authority. In addition, the forum has decision-making powers in specific areas, as follows:

- Approving increases to the DCSF prescribed limits on centrally managed expenditure
- Formula changes during multi-year funding periods (in exceptional and limited circumstances)
- To agree the level of school specific contingency held

- Approving minor amendments to the Minimum Funding Guarantee – in limited circumstances (eg to remove anomalies), provided no more than 50% of pupils in schools are affected.
- To agree arrangements for combining elements of the centrally managed budget with elements of other services where there are resulting benefits for schools and pupils.

5. Membership

The Herefordshire Schools Forum will have 26 members elected as follows:

School members:

- 6 Primary Schools Head teacher representatives
- 1 Primary School Governor representative
- 5 Secondary School Head teacher representatives
- 1 Secondary School Governor representative
- 1 Special School Head teacher representative
- 1 Special School Governor representative
- 1 School with a Nursery representative
- 1 Pupil Referral Unit (PRU) Management Committee representative
- 1 Business Manager representative

Non School members:

- 2 Diocesan Representatives
- 2 Trade Union representatives, 1 Primary School and 1 Secondary School
- 2 Early Years representatives
- 2 14-19 Partnership representatives

26 Total Forum members

The members with observer status are as follows:

- Cabinet Member for Children's Services
- Cabinet Member for ICT, Education and Achievement.
- Children's Services Scrutiny Committee Chairman

6. Tenure of Office

Each member will have a three-year term of office (unless they become Chair or Vice Chair). In the event that a member of the forum ceases to hold the office, the term of office ceases and another appointment must be made. The replacement will serve the remainder of the term.

7. Quorum and Substitutes

The Forum shall not be quorate if less than 40% of the total membership is present at the meeting. Members unable to attend should therefore arrange cover from nominated substitutes, appointed in compliance with the arrangements below.

Substitutes are to be nominated in the same way as members. Democratic Services should be notified of the names of all substitutes.

Head teachers can be represented by senior school staff including principals, deputy Head teachers, bursars or other persons responsible for financial management of the school.

8. Election Arrangements School Members

School members of the forum must be nominated via a process “determined by the constituents represented by members of that group”.

9. Primary Head Teacher Members

Six Head teacher representatives (plus substitutes) to be appointed following expressions of interest and an election procedure concluded at the appropriate primary Heads meeting to which all primary Heads in that given area are invited.

To ensure appropriate representation within the primary phase, the following overriding criteria are established:

At least 1 primary head member must represent community schools

At least 1 primary head member must represent voluntary controlled/voluntary aided/foundation schools

There must be at least 2 members representing a school less than 105 pupils.

There must be at least 1 member representing a school more than 105 pupils.

10. Secondary Head Teacher Members

Five High School head teacher representatives (plus substitutes) must be appointed via an election procedure concluded at the Herefordshire Association of Secondary Heads (HASH) meeting to which all secondary heads are invited. HASH will set the term of office for their representatives within the maximum term set out in paragraph 6.

The following overriding criteria must be applied:

At least 1 secondary head member must represent community schools

At least 1 secondary head member must represent voluntary controlled/voluntary aided/foundation schools

At least 1 head must represent 11-16 schools

At least 1 head must represent 11-18 schools

11. Head teacher of a school with a Nursery

The member (plus a substitute) should be elected by the heads of the Herefordshire maintained schools with nurseries.

12. Special School Head teacher members

One special school head (plus a substitute) will be elected by the special schools head teachers at a meeting to which all special school head teachers are invited.

13. Governor Members

Three Governors (plus substitutes) must be appointed via an election procedure concluded at the Herefordshire Association of Governors (HAGs) meeting to which all governor representatives are invited (irrespective of whether they are members of HAG as follows:

Primary Governor:
Secondary Governor
Special School Governor

A maximum of one member from any one governing body may sit on the forum.

The representatives must also be the chair of their school governing body finance committee or equivalent.

A Head teacher may not sit as a governor representative.

The HAGs should seek to ensure an appropriate geographical and size of school representation.

14. PRU representative

The forum member (plus a substitute) should be appointed by the Management Committee of the Pupil Referral Service.

15. Non School Members

Diocesan representation (plus substitutes) should be one from each faith, membership to be secured through the Standing Advisory Council Religious Education.

Trade Union representatives will report back to the Teaching Union meeting, thereby representing all unions. The representative should be appointed via an election procedure concluded at the Teaching Unions meeting.

Early Years representatives (plus substitutes) should be appointed via the Early Years Steering Group and should represent the independent and voluntary sector, rather than school nursery provision.

The representatives from the 14-19 consortium (plus substitutes) should be appointed via an election concluded by the 14-19 consortium.

16. Election of Chair and Vice Chair

The Chair and Vice-Chair must be elected from the Forum's own members. The Chair and Vice-Chair will hold these positions for a maximum of two years. This extends the period of membership of Schools Forum beyond the period set out in 4.3. The Chair and Vice Chair should represent different sectors of the school community.

When the Chair and Vice-Chair are not present, the meeting can elect a Chair for that meeting only.

17. Declarations of Interest

It is recognised that all Schools Group members will have an interest in at least one school. It is important that members should declare if the item under discussion could make a material difference to that school, or where they may have a personal or prejudicial interest. Notwithstanding this, a member may continue contributing to the discussion, but should not take any part in any decision made concerning that particular proposal which uniquely changes funding for their particular school/schools. (An advice note concerning declarations of interest is attached at Annex 2).

18. Managing the Business

The following operational timescales and procedures are required to ensure that Schools Forum operates efficiently and has sufficient information and time to consider the issues.

19. Frequency of Meetings

Schools Forum should meet at least six times a year including the following months:

September
November
January
February
March
June

Dates must be set annually for the forthcoming year.

20. Forward Plan and Agenda Setting

A forward plan must be established and reviewed by the Forum on an annual basis, usually in February of each year. The following should be considered through the annual cycle:

February – programme of work for the following financial year
June outline proposals covering the areas of work contained in section 2
September – details of work set out in June
November – sign off of work to be consulted with all schools, in time to inform budget setting and Cabinet decision making in February

Agenda must be agreed by the Assistant Director, Improvement and Inclusion in consultation with the Chair of Schools Forum one week after the last forum meeting. Democratic Services will provide the resource to facilitate the forum, including organising and sending out agenda and papers, Minutes and action sheets.

A common format for all reports must be followed, using the attached template, Annexe 1.

Papers for Schools Forum must be circulated seven working days before the Schools Forum date. They are required to be signed off by Herefordshire Council's Head of Finance, Assistant Chief Executive Legal and Democratic, Head of Risk Management and the Assistant Director, Improvement and Inclusion prior to circulation.

Briefing meetings for the Chair must take place at least three working days before each Schools Forum meeting.

Minutes and an action sheet from each Schools Forum meeting must be circulated seven working days after the Schools Forum meeting as draft, and the Minutes will be formally considered and confirmed at the following Schools Forum meeting.

21. Decision Making

Schools Forum is an important body within the financial and service planning activities of Herefordshire Council, the Herefordshire Partnership and Children's Trust. As set out in section 2, Schools Forum is primarily a consultative body, with some decision making responsibilities. The Local Authority will take the views of Schools Forum into account before finalising arrangements on which the Forum has been consulted, at a Directorate Leadership Team and Lead Member, Cabinet and Council level.

Recommendations to the Council should normally be made through consensus. Majority voting should be used to decide any issues, with each representative casting one vote. The Chairman will have the casting vote in the event of a tie.

In the event of an urgent decision being required an email will be sent to all Schools Forum members fully explaining the issue on which a decision is required. Forum members will be required to submit their response via email to the date required. No decision will formally be made until a quorate number of responses has been received by the Assistant Director, Improvement and Inclusion. This process will be administered by Democratic Services.

Schools Forum should receive feedback on the decisions made by Herefordshire Council that have taken into account Schools Forum views as part of any consultation process. The Chair of Schools Forum can invite Council Members to provide feedback at Schools Forum meetings.

22. Working Groups

Herefordshire Children and Young Peoples Directorate (CYPD) and schools should try to make use of existing working groups wherever possible, to minimise duplication and use existing expertise. In order to support and advise the work of the Schools Forum existing working groups can be approached to provide information on related activities. The Forum can also, if required, set up working groups for specific tasks. Such groups could be time-limited and would need to establish clear remits, appropriate membership and operating principles.

- (i) The full Schools Forum remains the decision making body for the responsibilities covered in section 3. Working groups and other groups will provide information, advice and options.
- (ii) Current Schools Forum Working Groups:
 - (a) **Budget Review Working Group:** This group is established as a permanent advisory sub-group of the full Schools Forum. Importantly it reports to Schools Forum (SF), and is not itself a decision-making body.

Remit:

To provide additional support and time to consider information and data in order to inform the development of key budgetary options, recommendations and decisions relating to Dedicated Schools Grant.

Membership:

Identified members of SF including Chair and Deputy CYPD Assistant Director, Improvement and Inclusion
Finance officers

Operating principles:

To assess financial information prior to presentation to Schools Forum
To consider implications of any financial proposal
To draft papers for submission to full Schools Forum meetings
To provide considered information and advice to support the work of the full Schools Forum.

(iii) Working groups that could support the work of Schools Forum:

The following working groups have been established to develop strategy for key priority areas and to ensure effective management and implementation of delivery. The financial element of this responsibility provides information to Schools Forum and supports SF processes.

(a) **Funding for Inclusion Group:** This group was established to develop a strategy for the delegation of Additional Needs funding direct to schools and settings.

Remit:

To design models for delegation of Additional Needs funding.
To draft proposals for CYPD DLT, Schools Forum and Cabinet consideration.
To carry out thorough consultation.
To monitor implementation.
To monitor and review impact.

Membership:

This group has a large membership consisting of school representatives, stakeholders, CYPD officers and Finance officers.

Operating principles:

To assess information on delegated funding models
To analyse Herefordshire requirements
To analyse data on finance
To analyse range of Additional Needs and pupil numbers
To report back to all key decision making bodies
To be accountable for model implementation
To be responsible for monitoring of effectiveness.

(iv) Other such groups include:

Service Level Agreement Group
Early Years and Extended Services
Connexions Working Group
Joint Agency Management Group
Children's Trust Management and Outcome Groups

Schools Forum and CYPD aim to make the most of existing groups, rather than create new ones. The above list will develop and change according to work requirements.

AGENDA ITEM NO. ???

HEADING

REPORT BY

SCHOOLS FORUM

19 MARCH 2009

Schools Affected

Purpose

Choose one of the following:

for information

to update on progress

to highlight issues and agree next steps

for consideration and decision making

Financial Implication

Background

Including links to legislation, national and local initiatives, Herefordshire's Children and Young People's Plan

Issues or Risks

Recommendations

Background Papers

ADVICE NOTES CONCERNING DECLARATIONS OF INTEREST

There are many instances where a decision on an issue will have an effect on all schools, be it on a pro rata basis, and as such members would not declare an interest. Where a decision on an issue 'uniquely' affects one particular school, at which the member is, for example, the headteacher of that school, or where the head teacher's children attend, then it would be appropriate for an interest to be declared.

In considering the declaration of an interest, a Member of the Forum should apply the following test: would a member of the public, knowing the facts of the situation, reasonably think that the member might be influenced by the interest?

A prejudicial interest would include the situation whereby a proposal uniquely affects either a school at which they are a head teacher/governor or which their children attend.

Any member who requires advice/guidance concerning declarations of interest or any other issue concerning the Forum should contact the Clerk in the first instance on telephone number 01432 383408.

MEETING:	SCHOOLS FORUM
DATE:	17 MAY 2010
TITLE OF REPORT:	FORECAST SCHOOL BALANCES 2009/10
OFFICER	SCHOOLS FINANCE MANAGER

CLASSIFICATION: Open

Wards Affected

County-wide – All Schools

Purpose

To update Schools Forum on forecast school balances for 2009/10.

Key Decision

This is not a Key Decision.

Recommendation

THAT School Forum is asked to:

note the forecast school balances and that the final balances will be tabled on the day.

Key Points Summary

- New process for forecasting school balances introduced October 2009
- Final school balances for 09/10 to be tabled on the day
- Five schools forecast to be in deficit

Alternative Options

- 1 There are no alternative options for consideration.

Reasons for Recommendations

- 2 This item was deferred from the February 2010 meeting of Schools Forum, when the report was to provide a forecast outturn position based on the latest information and analysis in January 2010.

Further information on the subject of this report is available from
Malcolm Green, Schools Finance Manager on (01432) 260818

Introduction and Background

- 3 This report will be superseded by the final school balances paper which will be available mid May and tabled on the day of Schools Forum. Currently the closure of school accounts is in progress with adjustments being made for creditors, debtors and March supply claims.
- 4 A new process for forecasting school balances was introduced in October 2009. The previous process involved distributing half and three quarter year monitoring sheets to schools. However little feedback was received from schools to facilitate a reasonable forecast prediction so a new process was introduced. The new process is based on a statistical forecast that is prepared and distributed monthly by finance to schools from October onwards. Due to the methodology adopted it is expected that the forecast will increase in accuracy as the year progresses. It also includes an estimate of the potential balance clawback at year end in order to give schools early warning that their spending may not be as planned. Schools have the opportunity to comment and amend the figures with justification and evidence. Quarterly monitoring from bank account schools is also now included so that a complete picture is available.
- 5 The LMS team regularly receive requests from schools for budget virements which have been prompted by the forecast, demonstrating they are responding to the information received and reviewing their budget and expenditure. The forecast information also proves valuable in helping to identify schools with potential future budget problems and to monitor the progress of schools with licensed deficits. It is further intended to review the quality of the forecasts by comparing the monthly forecasts with the final school balances when these are available in mid-May. Improvements to the forecasting methodology will be made wherever possible for the next financial year and periodically reported to Schools Forum.
- 6 Based on the forecast information, school balances (excluding the Academy) are expected to be £5.3m compared to £5.0m in 2009/10. There could be a clawback or transfer to capital of up to £1m. Five schools are forecast to be in deficit as follows;

Dilwyn	-£3,874
Broadlands	-£73,050
St Weonard's	-£13,571
Aylestone	-£56,622
Brookfield	-£7,986

Licensed Deficit agreements have been agreed for St Weonard's, Aylestone and Brookfield and the schools are on course as agreed in their plan to achieve a balanced budget. The deficit recovery plan for Broadlands requires further work with the school in 10/11 to ensure that the deficit does not exceed the agreed £120k. No recovery plan has as yet been discussed with Dilwyn and the school is currently subject to a consultation on it's future.

- 7 Additionally, two schools have been permitted to carry forward excess balances due to exceptional circumstances. Lady Hawkins will use their excess balances in 2010/11 and 2011/12 to minimise the future cost of redundancies by not filling teaching vacancies arising from routine staff turnover wherever possible as part of an agreed three year staffing reduction plan. Their balances are within the clawback limits this year but are planned to be £70,000 over the limit at the end of financial year 10/11. Approval has been given for this year initially to Leominster Junior to carry forward balances of £153,000 (£66,000 in excess of the limit) to maintain the existing staffing structure of the school prior to the amalgamation of the infant and

junior schools in September 2012. The infant and junior schools are working together to plan for a successful transition to the new primary school. A further business plan from both schools regarding their use of balances is due in January 2011 and a further decision taken by the new Director at that time.

We have dealt with Kimbolton by way of a loan so that no approval re excess balances is needed balances carry forward. They are 1 of six schools taking a loan. The loan will be paid in 10/11 when the severance cost falls due. We don't need to include this unless you specifically want to.

Key Considerations

8 None identified.

Community Impact

9 None identified.

Financial Implications

10 Any irrecoverable deficits are effectively funded by all schools from within Dedicated Schools Grant.

Legal Implications

11 It is confirmed that these proposals are consistent with the Council's legal duties.

Risk Management

12 The actual year end balances will be tabled at the Schools Forum meeting on 17th May 2010.

Consultees

13 None.

Appendices

14 Schedule of forecast school balances 2009/10.

Background Papers

Individual school forecasts October 2009 to March 2010.

FORECAST REVENUE CARRY FORWARD 2009/10

SCHOOL NAME	Uncommitted Revenue budget	Period 7	Period 8	Period 9	Period 10	Period 11	Period 12	Potential Clawback as at period 12 09/10	Est balance at year end 09/10	Balance bfwd from 08-09
	£	£	£	£	£	£	£	£	£	
ALMELEY PRIMARY SCHOOL	12,990	22,042	2,965	9,312	19,149	17,631	18,023	0	18,023	36,541
ASHPERTON PRIMARY SCHOOL	23,466	11,366	5,734	8,003	10,840	24,402	29,600	0	29,600	48,748
BODENHAM ST MICHAELS CE PRIMARY	219	43,456	40,442	42,484	45,952	45,128	44,237	4,808	39,429	47
BOSBURY C E PRIMARY SCHOOL	36,863	41,583	57,723	71,044	72,171	80,218	78,159	35,834	42,325	41,024
BRAMPTON ABBOTTS CE PRIMARY SCHOOL	20,924	59,470	35,493	36,034	40,054	47,003	46,687	4,422	42,265	34,405
BREDENBURY PRIMARY SCHOOL	72,444	120,609	108,382	116,615	119,371	105,480	110,561	70,782	39,779	34,905
BRIDSTOW CE PRIMARY SCHOOL	29,274	4,997	19,428	26,566	36,047	39,123	34,842	0	34,842	39,079
BROCKHAMPTON PRIMARY SCHOOL	6,236	10,155	17,142	27,585	37,099	51,120	53,444	11,708	41,736	45,494
BROMYARD ST PETERS PRIM SCHOOL	-21,815	6,389	-973	6,785	14,820	23,598	20,653	0	20,653	-32,112
BURGHILL PRIMARY SCHOOL	22,149	14,287	-14,635	5,264	24,373	24,198	28,294	0	28,294	36,229
BURLEY GATE CE PRIMARY SCHOOL	29,676	93,032	57,599	64,235	60,796	66,582	69,691	28,406	41,285	33,168
CANON PYON CE PRIMARY SCHOOL	25,953	34,897	-27,975	4,734	17,990	27,647	25,825	0	25,825	37,581
CLEHONGER CE PRIMARY SCHOOL	6,607	28,570	27,132	8,513	22,314	19,318	22,644	0	22,644	51,339
CLIFFORD PRIMARY SCHOOL	8,193	38,631	10,797	16,445	22,511	26,735	25,776	0	25,776	27,854
COLWALL C E PRIMARY SCHOOL	3,689	90,563	26,766	32,014	41,818	42,434	41,963	0	41,963	20,103
CRADLEY CE PRIMARY SCHOOL	11,265	63,165	-24,690	12,237	11,184	17,669	15,101	0	15,101	37,382
CREDENHILL ST MARYS CE PRIMARY SCHOOL	74,931	54,795	19,342	21,526	33,520	49,695	44,604	0	44,604	22,610
DILWYN CE PRIMARY SCHOOL	797	13,526	-10,801	-9,597	-4,617	-4,634	-3,874	0	-3,874	16,840
EARDISLEY CE PRIMARY SCHOOL	19,928	30,060	30,677	31,304	33,057	36,662	34,723	0	34,723	36,956
EASTNOR PAROCHIAL PRIMARY SCHOOL	25,595	43,355	38,683	25,672	23,483	26,606	32,864	0	32,864	37,160
EWYAS HAROLD PRIMARY SCHOOL	154	-42,166	-2,854	-10,044	4,218	15,228	9,470	0	9,470	5,487
FOWNHOPE, ST.MARY'S CE PRIMARY SCHOOL	7,846	-15,888	-3,626	-3,668	9,322	6,313	11,687	0	11,687	15,958
GARWAY PRIMARY SCHOOL	23,090	65,270	40,928	45,843	49,752	49,001	46,364	8,776	37,588	37,038
GOODRICH CE PRIMARY SCHOOL	30,013	32,441	15,816	21,449	37,792	36,667	38,601	0	38,601	32,879
GORSLEY GOFFS PRIMARY SCHOOL	27,638	124,844	26,009	48,127	58,027	51,684	52,909	8,560	44,349	33,136
HEREFORD BROADLANDS PRIMARY SCHOOL	-80,456	-72,340	-101,430	-82,759	-70,648	-60,263	-73,050	0	-73,050	-84,100
HEREFORD HAMPTON DENE PRIMARY SCHOOL	48,791	4,380	31,061	49,642	74,764	71,716	69,498	0	69,498	80,956
HEREFORD HOLMER CE PRIMARY SCHOOL	2,306	87,080	35,555	61,831	60,632	63,665	65,197	2,637	62,560	80,836
HEREFORD LORD SCUDAMORE	51,481	-	-	49,388	-	-	49,388	0	49,388	102,354
HEREFORD MARLBROOK PRIMARY SCHOOL	1	96,270	295,297	222,093	267,965	270,196	136,756	32,329	104,427	138,748
HEREFORD OUR LADY'S RC PRIMARY SCHOOL	41,532	27,187	48,513	70,829	85,143	94,138	92,775	43,405	49,370	61,833
HEREFORD ST FRANCIS XAVIERS PRIMARY SCHOOL	25,517	44,171	40,576	39,279	54,897	45,914	39,450	0	39,450	30,484
HEREFORD ST. JAMES' CE PRIMARY SCHOOL	12,338	7,616	2,073	-4,942	21,888	12,497	18,848	0	18,848	736
HEREFORD ST. MARTIN'S PRIMARY SCHOOL	32,082	100,238	49,102	57,312	78,010	93,557	53,934	0	53,934	117,202
HEREFORD ST. PAULS	37,443	-	-	148,194	-	-	148,194	57,344	90,850	113,595
HEREFORD TRINITY PRIMARY SCHOOL	9,998	-33,726	-95,496	19,469	49,440	57,735	52,767	0	52,767	70,860
HEREFORD ST THOMAS CANTILUPE PRIMARY SCHOOL	46,504	192,268	81,372	99,115	110,795	99,084	58,233	6,893	51,340	65,284
HOLME LACY PRIMARY SCHOOL	5,759	13,354	4,439	3,287	5,878	14,796	15,414	0	15,414	31,468
KIMBOLTON,ST.JAMES' CE PRIMARY SCHOOL	21,092	32,995	22,226	23,420	34,844	37,164	42,756	4,679	38,077	38,464
KINGS CAPLE PRIMARY SCHOOL	16,551	21,208	28,867	30,635	31,297	39,239	36,211	1,171	35,040	32,976
KINGSLAND CE PRIMARY SCHOOL	13,826	-34,023	8,655	1,428	47,056	37,902	37,742	0	37,742	32,794
KINGSTONE & THRUXTON PRIMARY SCHOOL	64,333	63,065	48,089	43,479	55,329	65,503	69,474	21,074	48,400	60,931
KINGTON PRIMARY SCHOOL	60,797	34,340	43,280	29,324	87,677	91,297	84,910	33,059	51,851	58,322
LEA CE PRIMARY SCHOOL	953	1,359	20,420	22,424	24,825	24,673	20,249	0	20,249	39,067
LEDBURY PRIMARY SCHOOL	92,752	76,259	128,246	128,888	159,928	168,322	149,406	38,253	111,153	135,457
LEINTWARDINE ENDOWED PRIMARY SCHOOL	41,556	62,413	61,934	63,134	60,868	69,116	69,439	29,297	40,142	37,872
LEOMINSTER INFANTS SCHOOL	30,470	179,428	25,336	40,925	45,546	50,137	48,105	0	48,105	8,792
LEOMINSTER JUNIOR SCHOOL	131,582	140,976	152,799	168,851	171,350	180,107	160,200	73,021	87,179	101,592
LEOMINSTER IVINGTON CE PRIMARY SCHOOL	20,521	34,406	20,391	19,324	29,914	35,901	28,453	0	28,453	14,978
LITTLE DEWCHURCH CE PRIMARY SCHOOL	-4,343	39,561	-1,325	-26,776	6,616	18,023	20,013	0	20,013	4,330
LLANGROVE CE PRIMARY SCHOOL	3,367	12,949	-13,739	2,005	9,202	10,742	30,598	0	30,598	20,834
LONGTOWN CE PRIMARY SCHOOL	50,856	31,755	39,329	23,369	35,106	35,929	44,420	7,921	36,499	25,838
LUGWARDINE PRIMARY SCHOOL	7,442	90,053	-3,128	5,388	9,668	316	19,924	0	19,924	24,914
LUSTON PRIMARY SCHOOL	11,863	68,155	-16,029	-11,230	4,981	12,204	17,327	0	17,327	14,638
MADLEY PRIMARY SCHOOL	34,963	18,230	14,047	23,519	48,896	45,901	41,955	0	41,955	36,519

FORECAST REVENUE CARRY FORWARD 2009/10

SCHOOL NAME	Uncommitted Revenue budget	Period 7	Period 8	Period 9	Period 10	Period 11	Period 12	Potential Clawback as at period 12 09/10	Est balance at year end 09/10	Balance bfwf from 08-09
	£	£	£	£	£	£	£	£	£	
MARDEN PRIMARY SCHOOL	16,190	6,631	6,836	14,624	24,741	33,222	37,759	0	37,759	25,192
MICHAELCHURCH ESCLEY PRIMARY SCHOOL	33,238	54,560	41,457	47,051	41,023	40,293	34,515	0	34,515	34,090
MORDIFORD CE PRIMARY SCHOOL	37,393	66,480	34,332	54,710	46,658	56,451	31,339	0	31,339	39,284
MUCH BIRCH CE PRIMARY SCHOOL	7,971	-1,321	-11,555	-27,106	1,436	8,787	7,165	0	7,165	377
MUCH MARCLE CE PRIMARY SCHOOL	40,625	42,337	54,526	66,070	65,335	63,750	54,515	14,453	40,062	37,534
ORLETON CE PRIMARY SCHOOL	10,337	18,761	-79	32,175	37,801	36,789	30,461	0	30,461	24,935
PEMBRIDGE CE PRIMARY SCHOOL	40,002	6,667	14,652	4,682	32,830	36,253	33,493	0	33,493	38,484
PENCOMBE C E PRIMARY SCHOOL	3,580	27,092	19,765	14,625	25,799	31,079	29,436	0	29,436	21,511
PETERCHURCH PRIMARY SCHOOL	5,131	-3,855	-25,059	-36,313	-3,991	30,783	30,834	0	30,834	14,274
ROSS ON WYE ASHFIELD PARK PRIMARY SCHOOL	-17,445	27,391	-14,627	5,058	48,497	51,280	50,800	0	50,800	24,748
ROSS ON WYE ST JOSEPHS RC PRIMARY SCHOOL	35,876	19,206	46,743	52,012	66,112	64,882	59,501	19,712	39,789	37,231
ST. WEONARD'S PRIMARY SCHOOL	-22,995	-3,798	-22,519	-24,556	-18,250	-13,267	-13,571	0	-13,571	-26,462
SHOBDON PRIMARY SCHOOL	22,932	52,515	50,942	57,103	62,242	51,249	49,881	13,276	36,605	35,313
STAUNTON-ON-WYE ENDWD PRIMARY SCHOOL	28,276	59,775	45,966	42,155	47,000	48,364	48,862	10,938	37,924	35,040
STOKE PRIOR PRIMARY SCHOOL	17,283	69,565	42,291	45,036	52,499	55,533	59,364	20,887	38,477	36,470
STRETTON SUGWAS CE PRIMARY SCHOOL	2,949	49,775	15,369	12,552	24,024	23,227	22,369	0	22,369	18,560
SUTTON PRIMARY SCHOOL	0	68,318	-3,598	11,646	-20,357	24,154	27,615	0	27,615	3,837
WALFORD PRIMARY SCHOOL	29,635	92,329	19,835	-29,773	34,582	51,105	48,629	2,839	45,790	50,861
WELLINGTON PRIMARY SCHOOL	27,342	24,270	10,438	11,205	33,490	27,249	36,539	0	36,539	42,490
WEOBLEY PRIMARY SCHOOL	1,714	95,392	-59,296	16,968	23,614	27,879	11,749	0	11,749	15,491
WESTON-UNDER-PENYRD CE PRIMARY SCHOOL	14,309	16,295	-17,531	14,536	6,662	10,275	15,058	0	15,058	-1,785
WHITBOURNE CE PRIMARY SCHOOL	2,942	-1,669	14,713	18,862	26,675	32,044	30,916	0	30,916	36,658
WHITCHURCH CE PRIMARY SCHOOL	14,254	-43,811	15,098	19,847	39,079	49,370	51,137	10,008	41,129	29,267
WIGMORE PRIMARY SCHOOL	27,112	44,150	48,865	56,112	65,764	79,274	55,443	12,176	43,267	24,697
WITHINGTON PRIMARY SCHOOL	19,587	21,237	47	4,843	23,507	22,161	23,227	0	23,227	33,548
HEREFORD RIVERSIDE PRIMARY SCHOOL	48,126	114,861	75,977	89,647	128,140	113,741	101,491	8,344	93,147	76,169
QUEEN ELIZABETH HIGH SCHOOL	220,835	-	-	140,848	-	-	140,848	33,356	107,492	109,616
HEREFORD AYLESTONE SCHOOL	-386,865	28,172	-368,448	-136,054	-75,038	-75,473	-56,622	0	-56,622	175,971
BISHOPS HIGH SCHOOL	79,352	-	-	549,035	-	-	549,035	182,988	366,047	247,878
HEREFORD ST MARYS HIGH SCHOOL	172,846	-	-	124,264	-	-	124,264	0	124,264	196,488
HEREFORD WHITECROSS HIGH SCHOOL	153,772	123,563	74,402	147,128	221,033	281,282	276,410	0	276,410	186,820
KINGSTONE HIGH SCHOOL	36,048	-	-	134,634	-	-	134,634	0	134,634	155,987
KINGTON, LADY HAWKINS HIGH SCHOOL	97,679	-	-	187,691	-	-	187,691	26,805	160,886	166,536
LEDBURY, JOHN MASEFIELD HIGH SCHOOL	105,212	-	-	110,390	-	-	110,390	0	110,390	196,793
LEOMINSTER THE MINSTER COLLEGE	-28,422	-424,551	77,230	151,618	152,829	213,866	197,669	0	197,669	67,013
PETERCHURCH, FAIRFIELD HIGH	5,571	-	-	52,575	-	-	52,575	0	52,575	37,027
ROSS ON WYE JOHN KYRLE HIGH SCHOOL	-325,946	695,963	626,852	579,711	684,567	655,166	490,427	104,597	385,830	310,606
WEOBLEY HIGH SCHOOL	37,415	-245,058	-31,168	31,133	41,362	67,035	88,744	0	88,744	-5,979
WIGMORE HIGH SCHOOL	76,299	283,321	111,395	115,437	163,554	186,987	152,533	6,075	146,458	95,810
HEREFORD BARRS COURT SCHOOL	22,195	25,877	34,526	79,257	97,278	105,132	61,123	0	61,123	63,708
HEREFORD BLACKMARSTON SCHOOL	3,361	-54,695	-5,613	98,438	74,966	96,330	99,614	20,720	78,894	69,253
LEOMINSTER WESTFIELD SCHOOL	41,203	160,338	99,717	58,388	71,075	76,774	70,698	23,335	47,363	43,571
HEREFORD THE BROOKFIELD SCHOOL	-32,746	53,164	-6,354	-30,974	-3,609	-9,506	-7,986	0	-7,986	-112,040
THE ACONBURY CENTRE	19,332	54,273	44,142	49,562	54,498	31,126	37,901	0	37,901	28,135
ST DAVIDS PRU	18,093	18,321	38,140	44,359	41,238	43,114	40,197	0	40,197	26,893
THE PRIORY PRU	8,364	36,816	23,853	38,526	45,940	47,696	46,475	8,852	37,623	24,461
Total	2,099,964	4,007,733	2,588,226	5,079,064	4,927,515	5,386,475	6,346,581	0	5,302,841	5,020,786

MEETING:	SCHOOLS FORUM
DATE:	17 MAY 2010
TITLE OF REPORT:	CONSULTATION ON THE FUTURE DISTRIBUTION OF SCHOOL FUNDING
OFFICER	SCHOOLS FINANCE MANAGER

CLASSIFICATION: Open

Wards Affected

County-wide – All Schools

Purpose

To approve the response to the Department for Children, Schools and Families (DCSF) consultation paper on the future distribution of school funding.

Key Decision

This is not a Key Decision.

Recommendation

THAT School Forum is asked to:

- a. Contribute to the response document as appropriate
- b. Approve the response document for submission to the Secretary of State.

Key Points Summary

- The appendix sets out the Government's proposals for the distribution of school funding from April 2011 and includes the consultation response form. It sets out the principles which would underpin a new funding system along with proposals on the formula for allocating the Dedicated Schools Grant (DSG). Details of the consultation paper are set out in paragraphs 3 to 31.
- The proposed formula elements are
 - Basic Entitlement
 - Additional Educational Needs
 - High Cost Pupils
 - Sparsity

Further information on the subject of this report is available from
Malcolm Green, Schools Finance Manager on (01432) 260818

- Area Cost Adjustment

Alternative Options

- 1 There are no alternative options for consideration.

Reasons for Recommendations

- 2 Herefordshire Schools Forum needs to reply to the consultation paper so their views are collated and add strength to achieving a satisfactory outcome.

Introduction and Background

- 3 DCSF has launched a consultation on the future distribution of the DSG from April 2011 onwards. The **consultation period ends on 7 June 2010** and responses can be completed via the DCSF website or sent to dsg.consultation@dcsf.gsi.gov.uk. The results of the consultation will be published by the Department in summer 2010.
- 4 This briefing paper summarises the formula proposals for DSG and mainstreaming of specific grants, in the order they appear in the consultation document. The consultation paper itself contains the technical detail and is attached as an appendix.

Background

- 5 Until April 2006 core funding for schools was allocated through the local government finance system, in the same way as funding for other local authority services. A formula known as the Schools Formula Spending Share (FSS), allocated an amount for each education authority to fund schools. This amount was notional, meaning individual authorities could chose to spend more or less than their FSS on education.
- 6 From 2006/07 funding for schools has been distributed to local authorities as a separate ring-fenced grant, the DSG.
- 7 Currently, allocations for DSG are based on the 'Spend Plus' methodology. The 'Spend' element takes the planned spending on education by local authorities in 2005/06 as a baseline and gives each authority the same basic increase per pupil above the previous year's level of DSG per pupil. The 'Plus' element consists of a number of 'top-ups' to reflect Government priorities, each of these are allocated according to their own formulas. In common with other low funded authorities, Herefordshire has received extra funding i.e. £0.82m for Herefordshire, to bring the allocation up to formula in the three years 2006/7, 07/08 and 08/09.
- 8 As such, the DSG cannot reflect changes in relative needs between local authorities since 2005/06. Consequently, the Government wishes to return to a system which better reflects current need.

Formula Review

- 9 The Government launched a review of the distribution mechanism for DSG in January 2008. Since then a Formula Review Group, representing all the main stakeholders, has met regularly to direct the work of the review. Details of the Group's membership and papers and notes of their meetings are available on the DCSF Teachernet website. Following this process, the Department has set out the principles for a new formula and the options within its various elements, for consultation.

Consultation Proposals

- 10 The consultation focuses on two particular issues, the formula for distributing DSG and the inclusion of a number of specific grants into DSG (mainstreaming). The consultation paper is divided into chapters, detailing the proposals for each element of the formula and the questions for stakeholders. The paper does not include details of how these elements would be weighted in relation to one another, nor are there exemplifications of authorities' allocations. The consultation makes clear that the Government's principle of fairness 'does not mean every pupil or each area getting the same level of funding'.
- 11 Each chapter of the DCSF consultation paper is considered individually below and a draft response is listed under each consultation question.

Structure of the Formula [Chapter 1]

- 12 DCSF's intention is to return to a formula-based approach to the distribution of DSG. The consultation paper states the aim in developing a new formula distribution methodology was to distribute resources according to relative need, taking into account the different costs of educating particular groups of pupils and of providing education in different areas.
- 13 DCSF propose the new formula as consisting of the following elements:
- **A basic entitlement** – a set amount given for every pupil regardless of any additional need and/or cost;
 - **Additional Educational Needs including those associated with deprivation** – to recognise that some children need greater support, which schools and local authorities need to pay for, in order to help them achieve their potential;
 - **High Cost Pupils** – to recognise that a small number of pupils have specific needs which mean they cost significantly more to educate than other pupils;
 - **Sparsity** – to recognise that in rural areas the sparsity of the pupil population makes it necessary to have small primary schools, which cost more per pupil;
 - **Area Cost Adjustment** – to recognise that there are higher salaries and associated staffing costs in certain areas.

Reducing Specific Grants [Chapter 1]

- 14 Currently specific grants allocate an additional £4.5bn for schools funding, which is not included in the DSG. Specific grants were originally introduced to fund the implementation of specific Government policies. However, the guidance for most of these ring-fenced grants now specifies only that the funding should be spent on any purpose of the school. Therefore, it is the Department's intention to reduce the number of ring-fenced grants to as few as possible. DCSF envisages the new DSG will include the following grants currently in existence:
- Dedicated Schools Grant (including London Pay Addition Grant);
 - School Development Grant (Devolved) excluding Specialist Schools;
 - School Standards Grant;
 - School Standards Grant (Personalisation);
 - School Lunch Grant;

- Ethnic Minority Achievement Grant;
- Extension of the Early Years Free Entitlement;
- Extended Schools – Sustainability and Subsidy

Consultation Questions

- 1. Do you agree with the principles we are applying to the formula?**
- 2. Do you agree with the proposals to mainstream the grants specified into DSG?**
- 3. Do you agree with the proposed elements of the formula?**

Basic Entitlement [Chapter 2]

- 15 The basic entitlement is intended to cover the general costs of running schools; consequently it is the element of the formula which allocates the most funding (almost 75% notionally at present). The consultation proposes two options for establishing the basic entitlement, either judgementally or through an Activity Led Funding (ALF) approach.
- 16 If a judgemental approach were to be used, DCSF would determine an amount after making a judgement about how best to divide the overall sum (quantum) into the main formula components. This has the advantage of simplicity and would represent the pattern of historic funding between the elements.
- 17 An ALF approach would allocate funding based on an assessment of how much a school needs to spend to provide education for pupils, before any adjustments are made. It involves identifying the core activities undertaken by schools (e.g. teaching, management etc.) and trying to cost them, taking account factors such as their frequency and time. This approach would also involve a degree of judgement. The ALF approach could make it clear to budget-setters what the resources available to schools would buy. However, the consultation document says there are 'significant challenges in developing and operating a successful model'.

- 4. Which methodology for calculating the basic entitlement do you consider would enable the fairest and most practical distribution of funding?**

Additional Educational Needs [Chapter 3]

- 18 This element of the formula is intended to reflect the costs associated with providing additional support to some children. Research was commissioned from the consultants PricewaterhouseCoopers (PwC) to identify categories of additional educational needs. It is the Department's intention that the formula should recognise deprivation in particular. As such, it is proposed 50% of the AEN block would be distributed according to a proxy for deprivation,

25% via an indicator for underperforming groups, 13% via English as an Additional Language and 12% via a flat rate per pupil.

- 19 The document proposes five different options for a deprivation indicator (the proportion of pupils affected by each measure is in square brackets):
- Option 1 – Out of Work Tax Credit Indicator [20.6%]
 - Option 2 – Free School Meals (FSM) [16.0%]
 - Option 3 – Child Poverty Measure [22.5%]
 - Option 4 – Average Income Deprivation Affecting Children Index (IDACI) score of pupils educated within the local authority [23.2%]
 - Option 5 – FSM with the additional 500,000 pupils in the most deprived areas by the IDACI score not on FSM [23.4%]
- 20 In order to ensure the funding system recognises deprivation at a local level, from 2012/13 all authorities will be required to operate a Local Pupil Premium agreed with their Schools Forum. In time, it is expected this will become the main vehicle for distributing deprivation funding and authorities will be required to report annually how they are allocating deprivation funding through the Section 251 financial reporting tables (formerly Section 52).

- 5. Do you agree with the proposed methodology for distributing money for additional educational needs?**
- 6. Which is your preferred indicator for distributing money via deprivation? Why?**
- 7. Do you agree with the indicators, other than for deprivation, that we have proposed for each need?**
- 8. Will the Local Pupil Premium mechanism help funding to be more responsive to changes in pupil characteristics?**
- 9. Is it right that local authorities should each develop their own pupil premium mechanism?**

High Cost Pupils [Chapter 4]

- 21 A small proportion of pupils, generally those with statements of Special Educational Needs (SEN), have very specific needs which are very costly to provide for. Unlike the other formula elements, funding for high cost pupils is directed to the authority where the pupil is resident, not the one where they attend school, as it is the resident authority which has statutory responsibility for ensuring provision.
- 22 DCSF used evidence from the PwC research to define high cost pupils and to develop proposals for resource allocation. The consultation proposes a similar approach to that for AEN, based on types of pupil need. This would result in the High Cost Pupils block being distributed 50% via a per pupil rate, 33% via a measure of low attainment at Key Stage 2,

14% via a deprivation proxy, 2% via take-up of Disability Living Allowance and 1% via English as an Additional Language.

- 23 The current system of recoupment for pupils with statements of SEN educated outside the authority will remain. The consultation also states DCSF will encourage voluntary recoupment for pupils classified in the School Action and School Action Plus categories, who are educated outside the resident authority and have similar needs to pupils with statements.

10. Do you agree with the methodology for distributing money for High Cost Pupils?

Sparsity [Chapter 5]

- 24 The consultation proposes two options to reflect sparsity. The broad option would result in 104 (out of 150 local education authorities) receiving additional money for sparsity. The narrow option would target funding at the most sparsely populated areas. The narrow option would affect 66 authorities and 300,000 pupils, a similar number to pupils currently attending small rural primary schools (less than 150 pupils). In order to derive a measure of sparsity, DCSF propose using home postcode data of pupils, collected in annual school censuses, and applying this data to Middle Super Output Areas. Currently, pupil numbers are taken from 2001 census data and then applied to electoral ward geography. No provision for sparsity for small secondary schools is proposed, the consultation notes home to secondary school transport is already funded through Formula Grant.

11. Do you agree that the school census and Middle Super Output Area are the right data sources and geography to use to assess the sparsity of an area?

12. Which method for calculating the sparsity factor do you think will best enable additional funding to reach those local authorities that need to maintain small schools – the broad or narrow option?

13. Do you agree that there should not be a secondary sparsity factor?

Area Cost Adjustment [Chapter 6]

- 25 The Area Cost Adjustment (ACA) is intended to reflect that the cost of providing services in some authorities will be higher than others. The document proposes two options for an ACA in the formula; a General Labour Market (GLM) approach and a hybrid approach. The methodology for the previous schools formula used a GLM approach.
- 26 The GLM approach takes account of the relative pay of various groups of workers in different

geographical areas. Underlying this approach is the principle that teachers and other education workers are part of a general labour market. Consequently, employing authorities have to compete with other employers in the area in both the public and private sectors. If a GLM approach were to be used DCSF would adopt the same methodology as used by CLG, which is likely to be consulted on over the summer.

- 27 A hybrid approach would focus more directly on the costs of employing school staff. It would involve a specific cost approach using teachers' pay bands to cover the direct financial costs of teachers; this would be derived from a national index of the direct financial cost of each group of teaching staff. In addition it would use the GLM approach to cover the direct financial costs of non-teaching staff and the indirect cost of both type of staff. The split of pay between teachers and other staff is calculated as 68:32. The consultation states the hybrid approach would allocate fewer resources than the GLM method as the differential between higher and lower cost areas is calculated to be smaller. This could allow for the additional money to be recycled through the basic entitlement to all authorities.

14. Which is the fairest method of applying the Area Cost Adjustment?

Transitional Arrangements [Chapter 7]

- 28 The introduction of a new needs-based formula will, according to DCSF, 'result in significant distributional changes'. The Department recognise authorities need protection from sudden changes to budgets and are proposing transitional arrangements (i.e. a Minimum Funding Guarantee).
- 29 It is proposed transitional arrangements for 2011/12 and 2012/13 will involve a per pupil floor set above the Minimum Funding Guarantee. This would result in no authority receiving an increase lower than the floor in both years. The floor will be paid for either by a ceiling on the authorities with the largest increases in funding or by reducing the amount above the floor for all non-floor authorities by the same proportion (scaling) or a combination of these two options. The consultation paper does not propose a cash-floor, such as the one which operates at present, as it is likely to move authorities with falling pupil numbers away from the formula. However, the Department recognises that authorities which will lose under the new formula and have declining pupil numbers could be faced with difficulties. The paper states DCSF will 'consider whether any protection needs to be offered for local authorities in that position'.
- 30 It will also be necessary for authorities to make local transitional arrangements to manage the impact on schools' budgets of the movements in funding which will result from the removal of the specific grants listed earlier. DCSF propose a single set of transitional arrangements, which will be based on a single baseline, including both the DSG and the special grants rolled into DSG. The Department consider this approach as preferable to establishing separate transitional arrangements for each specific grant.

15. Do you support our plans for the transitional arrangements for mainstreaming grants?

16. Should floors be paid for by all local authorities or just by the largest gaining authorities?

17. Do you have any suggestions for how the Minimum Funding Guarantee could be improved?

Further Considerations [Chapter 8]

- 31 DCSF currently provide an Exceptional Circumstances Grant for authorities which experience significant growth in pupil between the January school census and the start of the academic year or significant growth over in the number of pupils with English as an additional language. No authorities received the Grant in 2008/09 or 2009/10 for the first reason, although several received funding for the second reason. The consultation seeks views on whether similar arrangement, funded from the DSG, should be continued from 2011.
- 32 The consultation also proposes allowing local authorities with schools near military establishments to make a claim for additional pupils to be counted for DSG purposes, if numbers have fallen significantly from the previous year as a result of armed forces movements. Claims would have to be made directly to the Department and would be considered individually on their merits. The consultation does not propose making any specific provision in the formula for children of parents serving in the armed forces.

18. If a contingency arrangement for local authorities is to continue, funded from the DSG, what areas should it cover and what should the criteria be for triggering eligibility?

19. Do you support our proposals for Service children?

Key Considerations

33. None identified.

Community Impact

- 34 None identified.

Financial Implications

- 35 No financial implications are identified within the consultation paper as per pupil funding allocations will be announced by DCSF in the autumn after the closure of the consultation.

Legal Implications

- 36 It is confirmed that these proposals are consistent with the Council's legal duties

Risk Management

37 Herefordshire's views will only be considered by DCSF if a response is returned by 7th June 2010.

Consultees

38 None.

Appendices

39 Consultation on the future distribution of school funding published by DCSF March 2010
Schools

Background Papers

Briefing notes prepared by Society of County Treasurers and the Local Government Association

Consultation on the future distribution of school funding



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Ministerial foreword



Ever since this Government came to power, education has been a top priority, backed by record levels of investment. And as we have set out, that investment is set to continue. But it is not simply a case of putting more money into the system as a whole. We need to make sure that investment goes where it is needed and is spent wisely.

Over the last few years we have brought a high degree of stability and predictability to school funding through our Spend Plus methodology. But we have always said that we wish to return to a formula-based method of allocation in 2011, so that allocations better reflect actual characteristics of pupils.

This consultation sets out the principles of the new formula and asks for views on the options available to us. In getting this far we have been ably assisted by members of our Formula Review Group which includes representatives of central and local government, teacher and headteacher associations, unions representing support staff and other interested parties. We are extremely grateful to them.

We are also very grateful to the countless people – school leaders, teachers, support staff, governors, parents, pupils, MPs, Schools Forum chairs, local government representatives, local authority officers and other organisations and individuals – who have contributed to the review.

We are proposing five elements for the formula, which will be familiar to those involved in school funding. These are: a basic entitlement for every pupil; additional money for pupils with additional educational needs, funding for provision for high cost pupils, a sparsity factor to support local authorities which need to maintain small schools in sparsely populated areas, and an adjustment for local authorities who have higher labour costs. We are also proposing the introduction of a Local Pupil Premium, in order to ensure that the very significant resources in the system for deprivation reach the pupils who need them.

We have set out in this document the options for distributing each of the elements. We want to hear from all interested parties their views on these options, and in particular which, they believe, are right in principle. We will continue to talk to stakeholders and will develop firm proposals which we will publish later in the year.

This is a technical but highly important document, as the final outcome of this review will affect the distribution of school funding for several years to come. We would therefore urge all those with an interest in school funding to take the time to read this document, discuss it with their colleagues in schools and local authorities, and to send us their views.

A handwritten signature in black ink that reads "Vernon Coaker". The signature is written in a cursive style with a large 'V' and 'C'.

Vernon Coaker
Minister of State for
Schools and Learners

Executive summary

This document sets out the Government's proposals for the distribution of school funding from April 2011. It sets out the principles which would underpin a new funding system along with proposals on the formula for allocating the Dedicated Schools Grant (DSG). The document seeks agreement on funding principles and seeks views on the options put forward on how the individual formula elements should operate.

This follows a wide-ranging review of the mechanism for allocating the DSG, announced by the Government in January 2008. A Formula Review Group (FRG), which has included representatives from the main education stakeholders, has steered the work of the review. More details of the group's work, including FRG membership, papers and notes of the meetings, along with reports by PricewaterhouseCoopers (PwC), commissioned for the review, can be found on the Department's Teachernet website:

<http://www.teachernet.gov.uk/management/schoolfunding/DSGformulareview/>

Formula principles

The school funding system must support schools to prepare all children for adult life and help schools narrow the gaps in achievement that exist, particularly between deprived and non-deprived pupils. The formula should reflect that different pupils need different levels of support and that different areas will have different cost pressures. It should reaffirm the principle that needs in individual schools are best assessed at the local level. It should reflect the priority the Government is giving to supporting deprived pupils to raise achievement and to ensure the funding to support schools to meet the needs of deprived children is clearly identified.

Around £4.5 billion is currently allocated to schools through specific grants. The intention is to mainstream as many of these grants as possible into the DSG. This will both simplify the process and give further control to schools and local authorities. After the incorporation of other grants proposed in the document, the DSG will total over £35 billion and will form the vast majority of funding for schools.

The Secretary of State has announced that the Government intends to set a Minimum Funding Guarantee. This will mean that all schools would receive a cash increase per pupil, subject to exclusions such as resources assigned to individual pupils and adjustments for marginal pupil number changes.

Proposed formula elements

(i) Basic Entitlement

The Basic Entitlement is there to cover the general costs of running schools, notionally around three quarters of the DSG allocation. It is a per pupil amount not covering any additional needs or

costs, which are picked up elsewhere in the formula. This document sets out two options for the calculation of this basic unit of funding; a judgemental approach to dividing up the overall sum available for the DSG into its formula elements, and an activity-led funding (ALF) approach which identifies and attempts to cost the core activities that schools undertake. Both options require elements of judgement.

(ii) Additional Educational Needs (AEN)

Some children need additional support, for which schools and local authorities need to pay. Research undertaken by PwC has identified a range of additional needs of pupils from all backgrounds and these have been used when developing the formula. This formula factor should reflect, in particular, that children from deprived backgrounds are less likely to achieve than their more advantaged peers and need additional support to help them achieve their potential.

To ensure that the funding system is responsive to where deprived children are, all local authorities will be required to operate a local pupil premium from 2012-13 onwards. Such a local pupil premium would mean that if a school recruits a larger number of deprived pupils, it can see that it will receive additional funds, which will be reflected in its budget.

(iii) High Cost Pupils (HCP)

A small number of pupils, mainly those with Special Educational Needs (SEN), have very specific needs which are very costly to provide for. Evidence from the PwC research has been used to define high cost pupils and to develop proposals for allocating resources, based on the need types identified in the PwC work. The current recoupment system for pupils with statements of SEN educated outside the resident local authority was also looked at as part of the review and no change is proposed.

(iv) Sparsity

This is not simply a factor for small schools. It is intended to recognise the need to maintain small primary schools in sparsely populated areas, which cost more per pupil to run. Two options are proposed; a broader option incorporating more local authorities or a narrower option which targets a smaller number of more sparsely populated local authorities. The case for a sparsity factor for secondary schools was considered but evidence did not suggest a strong case for its inclusion.

(v) Area Cost Adjustment (ACA)

There is a wide variation across the country in staffing costs which means that the cost of providing comparable services in different parts of the country will differ. Two options for calculating the ACA are considered. One is based on the principle that education workers are part of the general labour market (GLM). The other "hybrid" approach is based in part on the direct pay costs of teachers, which we are able to quantify, and uses the GLM approach for all other elements of staff costs, which we are not able to quantify.

Other issues

The consultation also addresses other issues considered during the review, including how to adjust the DSG for the conversion of maintained schools into Academies, funding for Service children, the revenue cost implications of the Private Finance Initiative, Home Educated children and links with the Department for Communities and Local Government's (CLG) relative needs formula (RNF), which includes aspects of children's services.

Next steps

We want to hear from all those with an interest in school funding on both the overall makeup of the formula and the principles set out in this document. Once we have considered the responses we will consult on firmer proposals so that we are able to give indicative allocations to local authorities by November 2010. The closing date for responses is 7th June 2010.

Enquiries

If your enquiry is related to the policy content of the consultation you can contact either

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If your enquiry is related to the DCSF e-consultation website or the consultation process in general, you can contact the Consultation Unit by e-mail: consultation.unit@dcf.gov.uk or by telephone: 0870 000 2288.

How to respond

Consultation responses can be completed online at www.dcf.gov.uk/consultations

or by downloading a response form which should be completed and sent to:

e-mail: dsg.consultation@dcf.gov.uk

post: Ian McVicar
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Additional copies

Additional copies of the PDF version of this consultation and the response form are available from www.dcf.gov.uk/consultations

Chapter 1

Towards a new formula

The school funding system, core principles and formula structure

- 1.1** The system of funding schools has changed significantly since 1997. Until 2005-06, local authorities' core funding for schools and other pupil provision was provided in the same way as for all other local services through the local government finance system. A formula was developed in 2002-03 to calculate the Schools Formula Spending Share, which was the money given to local authorities notionally for schools. This formula was used until 2005-06.
- 1.2** Since 2006-07 funding for schools has been distributed to local authorities as a separate Dedicated Schools Grant (DSG) using the "Spend Plus" methodology. This covers funding for pupils aged 3-16. Post-16 education is funded separately. This methodology has provided stability and predictability in school funding. However, it has required the setting of a base year to which future increases are applied, in this case 2005-06, and so does not allow for changes in relative needs between local authorities since that time to be reflected. There is a strong case, therefore, for returning to a system where funding allocations better reflect current need. More detail about the school funding system is set out in Annex A.
- 1.3** The Government launched a review of the mechanism for allocating DSG in January 2008. The aim of the review has been to consider the development of a single transparent formula for the distribution of the DSG, which allocates resources in line with relative need, recognising the different costs of educating particular groups of pupils, particularly to meet the needs of disadvantaged pupils, and providing education in different areas.
- 1.4** To steer the work of the review and to gather evidence on relevant issues, a Formula Review group was established. This group included representatives from central and local government, teacher and headteacher associations, unions representing support staff and other interested parties.
- 1.5** The work of the group was carried out in public with papers and minutes of the group being published on the Department's Teachernet website:
<http://www.teachernet.gov.uk/management/schoolfunding/DSGformulareview/>.
- 1.6** The Group held 13 meetings and 53 papers were considered. The main area of focus was on the likely formula elements:
- a. A basic entitlement** – an amount given for every pupil regardless of any additional need and/or cost;

- b. Funding for the additional educational needs (AEN) of pupils including, those associated with deprivation** – to recognise that some children need greater support, for which schools and local authorities need to pay, in order to help them achieve their potential;
- c. Funding for High Cost Pupils (HCP)** – to recognise that a small number of pupils have needs which mean they cost significantly more to educate and support than other pupils;
- d. Sparsity funding** – to recognise that in rural areas the sparsity of the pupil population makes it necessary to have small primary schools, which cost more per pupil to run;
- e. Area Cost Adjustment (ACA) funding** – to recognise that there are higher salaries and associated staffing costs in certain areas.

1.7 PricewaterhouseCoopers (PwC) were commissioned to undertake research into four areas of funding: Additional Educational Needs; high cost pupils (mainly, but not entirely those with statements of SEN); the feasibility of an activity-led funding approach for calculating the basic entitlement; and area cost issues. The four reports can be found on the Teachernet website:

<http://www.teachernet.gov.uk/docbank/index.cfm?id=14194>

1.8 The development of the formula needs to be considered in the context of the current economic climate and the state of the public sector finances. The Government is committed to continuing to provide real growth in school funding and has announced that schools will continue to receive real terms increases between 2011 and 2013. But more than ever there is a need to ensure that schools work efficiently and effectively and that there is value for money in the provision of services.

1.9 Having developed options on the key issues with our partners, we are now looking to schools and local authorities to tell us their views about the options, before we announce final proposals. Therefore this document sets out the principles of the formula and the options within its various elements.

Principles

- 1.10** The aim is to produce a distribution formula which meets the needs of the 21st Century School. It must recognise that schools face challenges in narrowing the gaps in achievement and preparing every child and young person for life in an ever-changing world.
- 1.11** It must recognise that the concept of **“fairness” does not mean that everyone will get the same**. Instead it must reflect that our economy and geography means that different areas have different cost pressures, and that different pupils need different levels of support in order to help them achieve.
- 1.12** It must recognise that, whilst there are valid assessments that central government can make about need, **needs in individual schools are best assessed at the local level**. This principle underpinned the creation of Schools Forums in 2002 to advise and consult on

the distribution of funding. We intend to continue to distribute money to schools, through local authorities, using their local formulae.

- 1.13** A national formula to fund local authorities should recognise those issues which are of national importance and make significant differences to local costs and pressures. It is not there to reflect variations that are randomly occurring, nor, if we are to achieve the aim of a simple and transparent funding formula, is it right to include every issue raised. **Differences in funding between local authorities must be justified using robust evidence.**
- 1.14** As set out in the White Paper, **the Government is committed to at least maintaining the current level of funding allocated for deprivation.** We strongly believe that this **additional funding should be spent for the benefit of deprived pupils.** Local authorities have been working to increase the proportion of their deprivation funding that they put towards deprived pupils, and they should ensure that this trend continues so that **by 2014-15, all the money allocated nationally for deprived pupils reaches deprived pupils locally.** Local authorities will also need to ensure that their funding for deprived pupils is **responsive to changes in the numbers of deprived pupils in different schools through the operation of a Local Pupil Premium.**
- 1.15** We must also recognise that schools and local authorities need stability and time to plan for changes to funding. **Therefore there will be protections at school and local authority level to reduce the level of short term changes to the distribution.**

Mainstreaming grants

- 1.16** Some £4.5 billion is currently allocated to schools through specific grants. Many of these grants were originally introduced to implement specific policies. However, while specific ring fences have remained for the School Lunch Grant and Ethnic Minority Achievement Grant (EMAG) most of the other grants have ring fences which simply specify that the funding can be spent on any purpose of the school.
- 1.17** We therefore intend to mainstream as many specific grants as possible into the DSG, which makes sense if we are moving to a single needs based formula. This will simplify the system and give further control to schools and local authorities, in line with the principles of the White Paper, *Smarter Government*. This is not about cutting funding – overall front line funding for schools will increase in real terms by an average of 0.7 per cent per annum in 2011-12 and 2012-13 and this is applied to the total which includes all of these grants. At this stage we see the the future DSG including:
- a. Dedicated Schools Grant (including London Pay Addition Grant);
 - b. School Development Grant (Devolved) excluding Specialist Schools;
 - c. School Standards Grant;
 - d. School Standards Grant (Personalisation);
 - e. School Lunch Grant;
 - f. Ethnic Minority Achievement Grant;

- g. Extension of the Early Years Free Entitlement;
- h. Extended Schools – Sustainability and Subsidy.

- 1.18** We recognise that there will be issues around the mainstreaming of individual grants. The Ethnic Minority Achievement Grant, for example, has been an important grant in helping narrow the achievement gaps for Black and Minority Ethnic groups and in supporting the needs of pupils for whom English is an Additional Language (EAL). These purposes will remain but, under these proposals, schools will have additional freedom to use the funding to target narrowing achievement gaps for any other under-performing pupil groups. Local authorities should also be able to retain a portion of this funding to run a centralised service to support schools in narrowing achievement gaps for under-performing pupils and meeting the specific needs of bilingual learners, where they consider that is more practical than delegating all the funding to schools. **We will ensure that the total of funding distributed through the formula towards underperforming ethnic groups and pupils with EAL is at least as great as the total of EMAG plus the amount of DSG already notionally distributed on that basis.**
- 1.19** As set out in the White Paper *Your Child, Your School, Our Future: Building a 21st Century Schools System*, we also intend to bring forward proposals for a grant to support school improvement. This will be outside the DSG and will be funded by redirecting resources from the National Strategies and other central programmes, such as the National and City Challenge programmes. In line with the commitment in the White Paper, for weaker performers, we propose that this grant should be linked to the agreement of the School Improvement Plan by the School Improvement Partner (SIP), representing the local authority. The DCSF is currently conducting a separate consultation on these arrangements. Specialist Schools’ funding will continue to be allocated separately outside the DSG, as SIPs will be responsible for taking decisions about schools’ specialist status.
- 1.20** The mainstreaming of grants will result in some movement in funding and will require local transitional arrangements to manage the impact on schools’ budgets. This will be particularly true where the school has been allocated a significant amount of specific grant per pupil in comparison to the rest of its budget. Therefore local authorities will need to manage the process so that the locally agreed formula can run without putting schools in difficulty. This is likely to require tight transitional arrangements at least in the first year. The Minimum Funding Guarantee would apply to a base that includes both funding through the DSG and grants that are to be mainstreamed. We consider this approach is preferable to separate transitional arrangements for those grants. We will take this opportunity to see if the operation of the Minimum Funding Guarantee can be improved. More detail on the operation of transitional arrangements is set out in Chapter 7.

Structure of the formula

- 1.21** We are clear that the elements of the formula will be:
- a. **A basic entitlement** – an amount given for every pupil regardless of any additional need and/or cost;

- b. Additional Educational Needs including those associated with deprivation** – to recognise that some children need greater support, which schools and local authorities need to pay for, in order to help them achieve their potential;
- c. High Cost Pupils** – to recognise that a small number of pupils have specific needs which mean they cost significantly more to educate and support than other pupils;
- d. Sparsity** – to recognise that in rural areas the sparsity of the pupil population makes it necessary to have small primary schools, which cost more per pupil;
- e. Area Cost Adjustment** – to recognise that there are higher salaries and associated staffing costs in certain areas.

1.22 Allocations will be calculated in four separate blocks. These will be:

- a.** Early Years settings;
- b.** Reception to Year 6;

both of which will include elements of Basic Entitlement, Additional Educational Needs and Sparsity, plus the Area Cost Adjustment.

- c.** Year 7 to 11;

which will include elements of Basic Entitlement and Additional Educational Needs, plus the Area Cost Adjustment; and

- d.** High Cost Pupils;

which will include the High Cost Pupil element plus the Area Cost Adjustment.

At the beginning of the spending period we intend to issue fixed annual Guaranteed Units of Funding per pupil for each year of the period for each local authority. There will be Guaranteed Units of Funding for each of the four blocks. This will allow multi-year budgeting to continue.

1.23 We have considered evidence, including the research commissioned from PwC, to develop options in each of these formula elements. The development of the methodology has been supported by input from a technical group of school funding experts.

1.24 Options for these factors, where proposed, are set out in the following chapters.

Isles of Scilly

1.25 The formula will apply to all local authorities in England with responsibility for schools, except the Isles of Scilly. Where we intend to continue to issue a separate grant, as a formula cannot apply meaningfully to this small and unique authority.

Questions

Do you agree with the principles we are applying to the formula?

Do you agree with the proposals to mainstream the grants specified into DSG?

Do you agree with the proposed elements of the formula?

Chapter 2

The Basic Entitlement

Options for determining the basic unit of funding

Background

- 2.1** The basic entitlement is intended to cover the general costs of running schools and is therefore the factor which allocates the most funding – notionally just less than three quarters of the current DSG allocation. It covers base funding before any additional amounts for AEN, separate funding for high cost pupils, sparsity funding for the primary sector and the adjustments for area costs are added. There are two approaches to calculating the basic unit of funding per pupil:
- A judgemental approach – in which the funding is based on an assessment about how best to divide up the overall sum planned by the Government into its main formula components. An amount per pupil is derived to cover each of basic funding, AEN, high cost pupils, sparsity and area costs; or
 - A bottom-up approach – in which the funding is based on an assessment of how much a school needs to spend to provide education for pupils before any adjustments are made. This is known as activity-led funding (ALF). It would involve identifying a list of core activities that schools undertake (e.g. teaching, management) and trying to cost them, taking account of such factors as their frequency and time. The aim would be to describe what the sums available would buy. This approach would also require a degree of judgement.

Previous work on activity-led funding

- 2.2** As part of its work to develop a formula for 2003-04 the Education Funding Strategy Group (EFSG) considered the experience of those local authorities which were using an activity-led approach to resource allocation. The purpose was to understand more clearly the types of activities carried out by schools and their associated costs, in order to see what elements could be applied as part of a national formula. The Group identified six components and cost drivers for determining the basic entitlement: teaching, management, support staff, Information and Communications Technology (ICT), premises maintenance and other non-staffing costs. The Group recognised that this approach was potentially very complex and required explicit assumptions and decisions on a whole range of issues such as class sizes by key stage, non-contact time for teachers, numbers of non-teaching and support staff and premises costs. These are factors on which headteachers decide and which will vary between schools. The process would have involved deriving a national average per-pupil figure for each of the sub-blocks by building up a set of assumptions around the six components, in some cases by making different assumptions for each key stage.

- 2.3** Work was not sufficiently developed on the ALF model for it to be included in the 2003-04 formula and the approach used up to 2005-06 used the judgemental approach outlined above. The work of the previous review has however provided a useful starting point for the consideration of an ALF approach as part of this review.

The Basic Entitlement in the new formula

Activity-led funding approach

- 2.4** We commissioned PwC to determine the feasibility of an activity-led approach and the options for doing so. We further commissioned SERCO to develop a working model for potential use in the DSG allocation process. The ALF approach has the potential advantage of making it clearer to those setting budgets what the resources available would buy. There are, however, significant challenges in developing and operating a successful model.
- 2.5** The first is the complexity of the process which, even at its most basic level, relies on there being a substantial amount of detailed and accurate data available. Where there are data gaps, assumptions will need to be made based either on model theory or by applying experience of how such models operate in other areas such as in local authorities. There is a significant amount of national data available including financial returns, school censuses and the teacher workload survey and we made these available to SERCO. However, during SERCO's analysis they encountered the following issues:
- An evidence gap around the Early Years settings, in particular regarding Private, Voluntary and Independent providers (PVIs). In addition, the difference in the geographical distribution of nursery schools, which typically attract a higher level of funding than PVIs and nursery classes, provides a further complication;
 - Where resources or staff are used for both non-AEN and AEN pupils, for example teaching assistants, there is a difficulty in determining the proportions to allocate to the individual basic entitlement and Additional Education Needs blocks; and
 - Being able to reflect appropriately the additional costs of sparsity, which would be separately identified in the DSG formula, as these costs may be included in many different sections in the financial returns.
- 2.6** There is the further issue that, while the SERCO model allows for exploration of the funding passed to schools, it does not consider the centrally retained local authority activities which would have to be considered separately.

Development of the ALF model

- 2.7** The feasibility of an ALF basic entitlement depends on key assumptions around the areas of typical staffing ratios, staff salaries, proportions of time devoted to particular activities and how the funding within the basic entitlement links with the funding streams for AEN and HCP. Some particular issues to be considered are:

The role of the management team in schools

- 2.8** To be able to consider appropriately how much teaching resource there is in each school it is necessary to understand the role of various management grades. To develop the model therefore we would need to know:
- how many deputy and assistant heads would be in post (per 1,000 pupils in each of the primary and secondary phases) and how much of their time would be spent on classroom teaching activities;
 - how much of their time would be spent on the administration and specific teaching support for those pupils who have additional educational needs;
 - how many heads of departments would be in post (per 1,000 pupils in secondary schools) and how much of their time would be spent on classroom teaching activities; and
 - how much of their time would be spent on the administration and specific teaching support for those pupils who have additional educational needs.

Teaching assistants not assigned to SEN/EAL who are not Ethnic Minority Support Assistants

- 2.9** Most staff classified as SEN/EAL teaching assistants and Ethnic Minority Support Assistants will be involved in additional educational needs activities rather than in meeting more general learning needs. The situation is however less clear for other teaching assistants and it will vary between schools and within classes. For the model we would need to know:
- how many general teaching assistants are in post and how much of their time would be on activities associated with additional educational needs (per 1,000 pupils in each of primary and secondary phases)

The use of other non-teaching staff in schools

- 2.10** The basic entitlement covers non-teaching work and other non-teaching staff. For schools of different sizes the structure of the organisation will be different, allowing the split between basic entitlement and the extra workload associated with the administration of additional educational needs to be more easily defined in some schools than others. Differences may also exist between phases, adding further complication. For the model we would need to know:
- how many bursars, secretaries, other administration and clerical staff, midday supervisory assistants and other staff who are neither teachers nor teaching assistants (TA) would be in post (per 1,000 pupils in each of primary and secondary phases); and
 - how much of their time would be on activities associated with additional educational needs.

Non-pay costs

- 2.11** An ALF model for the basic entitlement must also consider the non-staff costs that school incur such as energy bills and maintenance costs. On a per-pupil basis these non-staff

costs are found to vary across the country. Explanations for this variation may include economies of scale, the age of school buildings or differences between schools in the utility deals secured. In particular, primary schools with more than 300 pupils and secondary schools with a sixth form spend considerably less per pupil on non-pay costs.

- 2.12** As with staff costs, consideration has to be given to additional educational needs requirements. Schools with a higher percentage of pupils eligible for free school meals, a proxy indicator for pupils with additional educational needs, are found to have a higher spend and a greater variation in spend per pupil on premises costs. This is true for both primary and secondary phases. Therefore a proportion of the premises costs should be deemed to be associated with additional educational needs. Difficulties occur in determining the appropriate mechanism for doing this given the wide variation observed.

A national assessment

- 2.13** In order to calculate all of these costs, we would need to make assumptions that reflect a national average position for the system as a whole. Schools vary hugely due to variations in size, in pupil characteristics, and in the way they are funded through local formulae. This national position will therefore not necessarily reflect all local circumstances. Also, whilst the purpose of the ALF approach is not to specify what all schools should be spending on certain budget areas, it could be viewed as such. Schools might feel under pressure to try to match these national assumptions, leading to inappropriate budgeting and an unhelpful assumption in the system that the Government is attempting to prescribe how every school should be run.
- 2.14** Were we to adopt an ALF approach, we would need to make it extremely clear to local authorities and schools that the assumptions and calculations used in the model are not an indication of what we think should be spent in schools. These decisions must be made locally.

A judgemental approach to deriving the basic entitlement in the new formula

- 2.15** The alternative to an ALF methodology for the basic entitlement is to determine an amount after making a judgement about how best to divide up the overall sum planned by the Government into its main formula components. It starts by considering the funding to be allocated for each of the formula factors of basic entitlement, AEN, HCP, sparsity and the associated area cost adjustment that applies to each of them.
- 2.16** An amount per pupil is derived for each of the formula components and we need to reach a view, which involves an element of judgement, as to the balance between them.
- 2.17** This approach would require fewer assumptions to be made about the detail of the approach. As we know that the phases are funded differently, we need to reflect those differences in the basic entitlement. In order to do so we would use evidence from the section 251 outturn statement (formerly section 52) to derive the relative weights between the phases.

2.18 Some issues to consider therefore are:

- activity-led funding has the potential advantage of making it clearer to those setting budgets what the resources available would fund. This could help those making funding decisions to judge between competing priorities and improve value for money.
- it is however a complex process which, to make it workable and acceptable, relies on there being detailed and accurate data available.
- it also relies on some assumptions such as on the split between the AEN and basic entitlement components that would have a significant impact on the funding allocation.
- it could appear prescriptive about how schools should be operating, implying an optimum pattern of activity which schools should be following.
- the ALF approach could lead to insufficient funding being allocated for additional educational needs, if the costs associated with those needs are not appropriately calculated and removed, resulting in the basic entitlement being too high.
- the alternative (judgemental) approach is much simpler in construction and requires fewer assumptions. It does not describe a pattern of spending or what the funding would pay for so would not offer as clear a description of what elements of activity the basic entitlement is covering. It would however represent the pattern of historic funding between the phases.

Question:

Which methodology for calculating the basic entitlement do you consider would enable the fairest and most practical distribution of funding?

Chapter 3

Additional Educational Needs

Distributing additional funding for pupils with additional educational needs

Background

- 3.1** One of the aims of the review is to produce a funding system that supports schools and local authorities to raise the educational achievement of all children and young people. Central to this is the aim to narrow the gap in educational achievement between all children and those from low income and disadvantaged backgrounds. Children from deprived backgrounds are still less likely to achieve than their more advantaged peers. Progress has been made in narrowing the gaps between different groups, with the most deprived schools and the most deprived areas making the most progress. But there is still much more to do. Attainment figures for Key Stage 2 show that, for 2009, 53.3 per cent of pupils known to be eligible for free school meals (FSM) achieved the expected level in both English and mathematics; for pupils who were not eligible for FSM the figure was 75.5 per cent. For secondary pupils, 54.4 per cent of pupils not eligible for free school meals achieved 5 or more A*-C grade GCSEs or equivalent, including English and mathematics, compared to 26.9 per cent of pupils known to be eligible for free school meals – an attainment gap of 27.5 percentage points.
- 3.2** We need to have a funding system that reflects the role of schools in supporting all pupils, and enables schools to align resources to agreed priorities. Sir Alan Steer's review of pupil behaviour recommended that we consider how funding can support early intervention and encourage the development of early intervention services. In addition, the Expert Panel on Assessment recommended that the Government considers how school funding could support transition and catch up in years 7 and 8. Specific decisions about what strategies to employ to support pupils are best taken by schools, but the funding system needs to ensure they have adequate resources to do so. Pupils from disadvantaged backgrounds are more likely to need support in order to reach their potential, including during transition, and are more likely to need early intervention. Ensuring that the formula gives due prominence to reflecting disadvantage is important if local authorities and schools are to better target funding towards priorities like early intervention and transition strategies. Targeting deprivation remains a top priority for Ministers.
- 3.3** So it is crucial not only that there is additional money allocated nationally for deprivation but also that this is passed on to and used by schools with deprived children. As was made clear in the White Paper *Your Child, Your School, Our Future: Building a 21st Century Schools System*, the current level of funding for deprivation will be maintained in future years. The Government is committed to increasing deprivation funding from this level

over the next Parliament and also to ensuring that by the end of the next Parliament, at the latest, all of this deprivation funding is passed on to schools with deprived pupils. In order to improve the transparency and targeting of deprivation funding, all local authorities will be required to operate a Local Pupil Premium from 2012–13. When allocating DSG to local authorities, we will set out clearly the level of deprivation funding they receive under the funding formula to help them deliver this objective.

- 3.4** But it is not just deprived pupils that have additional educational needs. A survey conducted by PwC identified a range of additional educational needs experienced by a range of pupils from all backgrounds. So it is important that the funding formula recognises other educational needs and not just those associated with deprivation. More detail of the PwC work is set out below.

Developing a new formula for use from 2011

- 3.5** Details on how the formula underpinning the current funding arrangements operated are set out in Annex A. The previous formula which underpins the current Spend Plus arrangements was largely based on research undertaken by PwC in 2002. In 2009 the DCSF commissioned PwC to update this work to provide details of the costs of and ways of measuring AEN in the formula; whether the incidence of AEN has changed, the different types of need being managed in schools and changes in the cost of meeting these needs.
- 3.6** PwC surveyed over 7,000 schools and used evidence from the 949 schools that responded as part of its research to identify the different types of additional needs pupils have and the measurable factors that correlate most strongly with those needs. This has provided the basis for the options for distributing this element of the formula. The needs identified are:
- Behavioural, Emotional and Social Interaction (BESI)
 - Home Environment (HE)
 - Cognition and Learning (CL)
 - Communication and Interaction (CI)
 - Sensory and Physical (SP)
 - English as an Additional Language (EAL)
 - Other
- 3.7** The above need types were originally based on current SEN categories of need but a wider definition was needed as not all pupils with AEN have SEN. The categories chosen reflect discussions with stakeholders on the need types being experienced in schools.

Distribution methodology

- 3.8** Our proposed methodology for distributing AEN funding is to make an assessment of the national incidence of additional educational needs and, because we have no way of

knowing exactly where each pupil with additional needs is located, to use proxy indicators to assess the likely incidence of these needs in each local authority. We propose to distribute funding using carefully chosen indicators that are associated with the individual need types identified in the survey.

- 3.9** The total funding distributed in this way will be enough to cover what schools nationally are currently devoting to meeting additional educational needs in the system. On top of this there will be additional funds which will be targeted towards deprivation.
- 3.10** The survey told us that, excluding pupils with high cost needs, around 23.7 per cent of primary and 20.3 per cent of secondary pupils have AEN – roughly 1.588 million pupils. The survey did not include Early Years settings and therefore it is assumed that the incidence of AEN in these settings is the same as in the Reception to Year 6 block.
- 3.11** The survey derived the school level incidences of AEN by type for primary and secondary schools. It is important to note that a pupil may have more than one need. For all pupils with AEN, the breakdown by need type is as follows:

	Early Years Settings	R to Y6	Y7 to Y11
Behavioural, Emotional and Social Interaction	9%	9%	21%
Home Environment	42%	42%	26%
Cognition and Learning	22%	22%	29%
Communication and Interaction	9%	9%	6%
Sensory and Physical	2%	2%	3%
English as an Additional Language	15%	15%	12%
Other	2%	2%	3%
Total (ignoring rounding)	100%	100%	100%

- 3.12** The need type incidences that have been calculated by PwC are at national level. To be able to distribute funding to local authorities it is important to translate the national incidence to a local authority incidence of AEN. This translation is performed by considering the factors that may be strongly associated at the national level with that need type, such as deprivation or underperformance, and then allocating funds based on each local authority's proportion of the national total, for example each local authority's proportion of the national total of pupils eligible for Free School Meals or pupils with English as an Additional Language.
- 3.13** We have linked the non-high cost AEN need types identified above to what we consider to be the most appropriate distribution indicator. For example EAL is measured directly and we are able to assume that the incidence of needs associated with EAL match the incidence of EAL itself. For other needs we have applied factors with which evidence suggests, or the definition of the need type implies, a correlation with that need type.

- a. For Behavioural, Emotional and Social Interaction needs (BESI) and Home Environment (HE) needs, the PwC study found a positive relationship between the proportion of pupils eligible for free school meals and the proportion of pupils with both BESI and a HE need, suggesting a link between such needs and deprivation. We propose that all funding for these elements is allocated using a deprivation measure;
- b. Cognition and Learning difficulties, by definition, will manifest themselves in groups with slower progress and ultimately lower attainment. We therefore propose allocating funding by reference to underperforming groups. More detail on the definition of these groups is provided later in this Chapter;
- c. The incidence of English as an Additional Language is measured directly, and we assume that the incidence of any associated need is correlated.
- d. The other types of need are considered to be more randomly occurring and we therefore propose that the more complex needs of Communication and Interaction and Sensory and Physical should be allocated using a flat pupil rate across all authorities. We propose to do the same for the "Other" group as there is no reason to allocate this differently.

3.14 The total overall incidence of each need type is the product of the incidence of each need type in each phase and the number of pupils in each phase.

AEN Type	Distribution Indicator	Percentage of all AEN*
Behavioural, Emotional and Social Interaction	Deprivation	13.3%
Home Environment	Deprivation	36.2%
Cognition and Learning	Underperforming Groups	24.6%
Communication and Interaction	Flat Rate Per Pupil	7.9%
Sensory and Physical	Flat Rate Per Pupil	2.2%
English as an Additional Language	English as an Additional Language	13.5%
Other	Flat Rate Per Pupil	2.2%

* the percentages do not add up to 100% due to rounding

3.15 The above distribution mechanisms result in 49.5 per cent of AEN funding being distributed via a deprivation proxy, 24.6 per cent is distributed via underperforming groups, 13.5 per cent via English as an Additional Language and 12.4 per cent via a flat per pupil rate.

Options for distribution indicators

3.16 Within this distribution mechanism there are options for the indicators to be used, and we would welcome views on these. Where possible, the aim is to use indicators that best represent the pupils to be targeted with the additional funding. The deprivation options

are set out below. The table sets out some of the characteristics of the potential indicators.

(i) Deprivation options

Option 1 – Out of Work Tax Credit Indicator

Option 2 – FSM – Free School Meals

Option 3 – Child Poverty Measure

Option 4 – Average IDACI (Income Deprivation Affecting Children Index) score of pupils educated within the local authority

Option 5 – FSM with the additional 500,000 pupils in the most deprived areas by the IDACI score not on FSM

Indicator	Proportion of pupils	Type of Measure
Pupils in families in receipt of Out of Work Tax Credit (OOW)	20.6%	LSOA
Pupils known to be eligible for free school meals (FSM)	16.0%	Pupil
Pupils deemed to be in poverty using the Child Poverty Index (based on Out of Work Tax Credit with additional children in households with incomes <60% of median income, CPI)	22.5%	LSOA
Pupils deemed to be deprived considering the mean IDACI scores associated with pupil postcodes aggregated at Local Authority level (IDACI)	23.2%	LSOA
Pupils known to be eligible for free school meals plus additional 500,000 children in postcodes with lowest IDACI (FSM+IDACI Hybrid)	23.4%	LSOA

Issues relating to the deprivation indicators are:

- each impacts a different proportion of pupils;
- LSOAs (Lower Super Output Areas) are a geography unit based upon national census output areas. There are 32,482 LSOAs in England with an average population of 1,500 people. The LSOA measures assume that each pupil takes on the general characteristics of the LSOA that the pupil resides in. While this will not be true pupil by pupil, on average the pupils' circumstances should reflect the characteristics of the LSOA. The local authority measure is calculated by averaging across its LSOAs according to pupil numbers;
- the pupil measure uses data collected at a pupil level;

- FSM is a pupil level measure but as it relies on the parent applying for free school meals it can under-represent the actual number of pupils who would be eligible. It also has the additional limitation that some local authorities are piloting universal free school meals;
- there are various ways the IDACI score can be used. Translating the IDACI score into a proportion of children that are deemed to be deprived assumes that the difference between the IDACI scores of two pupils directly measures the relative need between them; and
- indicators that rely on people applying for a particular status or benefit, e.g. to receive Disability Living Allowance, will have the potential for under-reporting. This phenomenon is not unique to school funding.

In Charts 1 to 5 in Annex C we show the index for each local authority under each option.

(ii) Underperforming groups

- 3.17** For Cognition and Learning we propose to use an indicator based on underperforming groups, defined as those pupils known to be eligible for free school meals plus black and minority ethnic (BME) groups (Black Caribbean, White/Black Caribbean, Black African and White/Black African, Black Other, Pakistani, White Other and Gypsy/Roma and Travellers of Irish Heritage) where underperformance remains a concern. For details of the local authority distribution of under-performing groups, please see Chart 6 in Annex C.

(iii) English as an additional language

- 3.18** For the EAL block, we are proposing to determine the allocation by using each local authority's percentage of EAL pupils as recorded on the school census. The assumption here is that the occurrence of EAL need follows the general incidence of EAL. For details of the local authority distribution of pupils with English as an Additional language, please see Chart 7 in Annex C.

Meeting additional needs

- 3.19** Pupils from deprived backgrounds consistently do not perform as well as their more advantaged peers and it is important that the funding system is able to deliver sufficient funding through deprivation factors to ensure schools can support these children and to help narrow the gap. In the White Paper *Your Child, Your Schools, Our Future: Building a 21st Century Schools System*, the Government committed to at least maintaining the national allocation for deprivation at its current level. Therefore, we propose to allocate additional resources over and above the AEN distribution described above, on the basis of deprivation, so that the total amount distributed nationally for deprivation is maintained. We will use the same deprivation indicator as we choose for the mechanism above, and this will ensure that substantial additional resource goes towards each deprived pupil, regardless of whether they live in a generally deprived area or in a small pocket of deprivation.

Towards a Local Pupil Premium

- 3.20** This Government has always been committed to narrowing the gaps in attainment between disadvantaged children and their peers. And we have met this challenge with significant additional funding to help schools provide the necessary additional support for deprived children – rising to almost £4bn in 2010-11.
- 3.21** This has resulted in good progress being made in narrowing the attainment gap for ethnic minority pupils and in some of the most disadvantaged areas standards are rising faster than the average.
- 3.22** School improvement programmes such as National and City Challenge are ensuring that more pupils than ever are achieving 5 good GCSEs including English and maths. The additional funding and support they provide plays an integral role in raising standards and aspirations in schools that are often in deprived areas and that face significant challenges.
- 3.23** In order to improve standards and achievement, especially for those pupils from disadvantaged backgrounds, we have introduced the right to one-to-one tuition and catch up support and increased funding for personalisation. We are committed to continuing to invest to ensure that pupils benefit from this kind of targeted support, particularly deprived pupils.
- 3.24** However, we know that the additional funding for deprivation does not always reach the children who need it. Local distribution of school funding is for local authorities to agree in consultation with their Schools Forums, but we know that historically there has been a tendency to “flatten” deprivation funding at a local level, such that local authorities do not always target the money that they have received for deprived pupils towards those pupils.
- 3.25** Local authorities were all given a notional target in 2007 that by 2010-11 they should be passing on at least 80 per cent of their deprivation funding towards deprived pupils.
- 3.26** Further to this, we announced in the White Paper *Your child, your schools, our future: building a 21st century schools system*, that our principles for deprivation funding would be that:
- a.** money allocated at the national level for deprivation should all be allocated locally to schools with the pupils who need it, and this should mean that by the end of the next Parliament at the latest, 100 per cent of deprivation funding is passed on appropriately;
 - b.** the system should be more responsive to changes in the characteristics of pupils in schools and local authorities, so that money is better targeted where it is most needed; and
 - c.** the proportion of resources allocated nationally for deprivation should at least be maintained so that the amount spent locally on deprivation will grow.
- 3.27** The Government rejects the suggestion that there should be a nationally mandated pupil premium which sets out exactly how much should be allocated to prescribed pupils with

no reference to actual need. First, if it is introduced from existing resources it will result in substantial redistribution among schools. The recent Institute for Fiscal Studies report concludes that without additional resources 1 in 10 schools could experience cuts in excess of 10 per cent. But the alternative of substantial extra resources for schools (perhaps in excess of 5 per cent, as in the IFS modelling) is not realistic in current circumstances – it would require very substantial sums to be taken from elsewhere, such as resources for music, sport, and other support for children. Second, the national funding system already allocates significantly higher resources for deprivation – almost £4 billion, and it would make little sense simply to pile a pupil premium on top of what the IFS describes as the existing implicit pupil premium, so taking no account of what is already there. Third, it would presume that there was a single appropriate definition of deprivation for use across the country and that the same level of resource was needed to meet each deprived pupil's needs, taking no account of local circumstances and local variations. It is for these reasons that we believe a national pupil premium is not the right approach to resourcing schools.

- 3.28** We do however believe that, as set out in the White Paper, funding allocated nationally for deprived pupils should be spent on deprived pupils locally. Historically, this has not been the case. Therefore, in order to ensure that funding reaches the pupils who most need it, **the Government will require local authorities to pass on all their deprivation funding to deprived pupils in 2014-15 at the latest, and expect progress to be made towards this in each of the intervening years.**
- 3.29** To ensure the funding to support schools to meet the needs of deprived children is clearly identified and to ensure that it is responsive to where these children are **the Government will require all local authorities to operate a Local Pupil Premium from 2012-13 onwards.**
- 3.30** This means that an amount of money in a school's delegated budget must relate directly and explicitly to deprived pupils within the school, and should move around the system as necessary. Such a Local Pupil Premium would mean that if a school recruits a larger number of deprived pupils, they can see that they will get additional funds, which will be reflected in their budget.
- 3.31** Local authorities will have the freedom to agree with their Schools Forums how to operate a Local Pupil Premium, rather than a process being mandated nationally, since schools and local authorities are the ones best placed to decide where need is. For instance it will be for local authorities to agree with their Schools Forums which pupils should be targeted (i.e. the indicators to use), and the level of funding those pupils should attract.
- 3.32** It is our expectation that over time, the local pupil premium will be the main vehicle for the distribution of deprivation funding.
- 3.33** In order to maintain stability of funding during the year, the Local Pupil Premium should operate from year to year, and schools' budgets should not be adjusted in the financial year. For instance, if a school had a larger number of deprived pupils admitted in September than had left in July, the school would not receive additional money until the

following financial year. But it will be able to plan on the basis that it will receive additional funds. We believe this strikes the right balance between stability and responsiveness.

- 3.34** We recognise that there may be an interaction between the local pupil premium and the operation of the Minimum Funding Guarantee. Schools Forums, who will agree the operation of the Local Pupil Premium, will also have the power to agree to an adjustment to the operation of the Minimum Funding Guarantee where that is necessary for the effective operation of the Local Pupil Premium. We want the funding associated with deprived pupils to be able to move from year to year between schools with those pupils so that schools have an incentive to take on pupils from more deprived backgrounds. For this to happen effectively, local areas may wish to adjust the way the Minimum Funding Guarantee works in order to ensure this responsiveness. Currently, where the adjustment affects schools containing more than 50 per cent of pupils, it can only be made with the agreement of the Secretary of State. However, we would presume that changes of this nature which allow the funding associated with the pupil premium to move between schools would be agreed and we will consult on building this into the regulations later in 2010.
- 3.35** Local authorities will want to develop different systems depending on their local circumstances, and we will look to provide best practice as systems develop.
- 3.36** We are amending the section 251 financial reporting tables to include information about deprivation allocations so that local authorities are required to report annually how they are allocating their deprivation funding.

Questions

Do you agree with the proposed methodology for distributing money for additional educational needs?

Which is your preferred indicator for distributing money via deprivation? Why?

Do you agree with the indicators, other than for deprivation, that we have proposed for each need?

Will the Local Pupil Premium mechanism help funding to be more responsive to changes in pupil characteristics?

Is it right that local authorities should each develop their own pupil premium mechanism?

Chapter 4

High Cost Pupils

Distributing additional funding for high cost pupils, including those with high cost special educational needs

Background

4.1 There are a relatively small number of pupils with additional needs for whom it is very costly to provide. There is no commonly held definition of high cost that is accepted by all local authorities, and the practice of classifying such pupils varies significantly across local authorities. The distinguishing feature is that the incidence amongst pupils is low but the cost of the needs is relatively high. In many cases, as in the case of pupils with statements of SEN, there is a statutory requirement on the resident local authority to provide for these needs, and it is necessary therefore to ensure that these needs are reflected as accurately as possible in the DSG. The best way of doing this is through a separate high cost pupils funding block. Unlike the other formula elements, funding for high cost pupils is directed to the authority where the pupil is resident, not the one where they attend school. This is because the statutory responsibility for ensuring the provision for such pupils falls on the resident authority.

Developing a new formula for 2011-13

- 4.2** Details of how the assessment for high cost pupils underlying the current system was made is set out in Annex A. It was largely based on the work of the Education Funding Strategy Group (EFSG) in 2002. In 2009, the DCSF commissioned PwC to provide an assessment of how the picture for high cost pupils had changed since 2002 so that we can best reflect current needs in the funding formula.
- 4.3** PwC interviewed 29 local authorities to inform its work. Also relevant has been PwC's AEN research work, described in Chapter 3. Their school survey examined the costs and incidence of AEN at school level, including high cost needs, and has therefore provided important background to this work.

Defining high cost pupils

4.4 For pupils in non-mainstream settings we continue to assume that they should all be deemed to be high cost. We recognise that placements will vary locally but consider that this is a reasonable assumption for the purposes of arriving at a national definition. For pupils in mainstream primary and secondary schools however we propose to refine the 2003 definition which only included those with statements of SEN. The survey suggests that local authority policy has been evolving around how they categorise pupils into the four SEN groups – no special provision, school action, school action plus and pupils with

statements of SEN, which means we should be looking at pupils across all the SEN categories when defining the high cost pupils block.

- 4.5** We investigated with stakeholders how best to define high cost pupils and it was agreed that because of the variations in local policy around SEN categorisation the most appropriate method of defining high cost pupils in mainstream schools was by means of a financial threshold. The PwC survey identified a national threshold figure of an annual cost of £6,218 – the point at which the cost increases significantly and the incidence falls. This is in addition to the basic unit of funding. Using this threshold and the proportions below from the survey (adjusted for 2009 census data) of each SEN provision group that are considered to be high cost, we estimate some 1.5 per cent of pupils in mainstream schools are high cost (1.3 per cent in maintained primary and 1.7 per cent in maintained secondary). This amounts to approximately 50,303 high cost FTEs in mainstream primary schools and approximately 47,510 high cost FTEs in maintained secondary schools nationally – a total of approximately 97,813 (see Annex B, paragraph 11). Our estimate for 2009 is that there are 217,599 high cost pupils in mainstream and non-mainstream settings. The table below shows the proportion of pupils in each SEN category that are deemed high cost.

Proportion of pupils in each SEN category that are deemed high cost	
Statemented	65.66%
School action Plus	4.34%
School action	0.70%
No SEN provision	0.01%

- 4.6** This work has identified two important factors which are relevant to the funding for high cost pupils and which we consider need to be reflected in the new formula. The first is that the number and cost of high cost pupils in mainstream settings is much higher than identified in 2002. The second is that the cost of providing for high cost pupils in general has increased more rapidly than cost increases for other parts of the education sector. The notional total for high cost pupils in 2009-10 is just over £3bn but PwC research suggests that around £4bn is currently being spent on such pupils, in addition to the basic unit of funding.

Distribution methodology

- 4.7** We propose to use the same approach for the allocation of funding for the high cost pupil block to that proposed for the allocation of AEN funding – namely that based on the pupil need types identified in the PwC school survey, but using the specific data for high cost pupils, and identifying the most appropriate distribution mechanism for allocating resources to local authorities for these need types.
- 4.8** To estimate the number of episodes of each need type nationally we have multiplied the incidence of each need type for high cost pupils from the survey by the total number of high cost pupils in mainstream settings.

- 4.9** However, many high cost pupils receive specialist provision in non-mainstream settings. We know that there are 119,786 pupils in non-mainstream settings overall but are not able to use the survey to allocate them across the particular AEN need types as the survey only covered mainstream settings. We have therefore mapped the standard SEN categories across to the AEN need types. This has enabled a need profile to be derived for pupils in maintained special, non-maintained special, independent and general hospital schools. More detail is set out in Annex B. By adding together the incidences in mainstream and non-mainstream settings, we have a total incidence for each need.
- 4.10** The need types are the same as those used for AEN. As with AEN, we have linked the need types for high cost pupils to what we consider the most appropriate distribution methods. This has in some cases resulted in more than one distribution indicator for the individual need type although we have tried to keep the formula as simple as possible. Evidence has been taken from a variety of sources including the Special Educational Needs information at pupil level on the school census.
- 4.11** Analysis shows that there is little association at local authority level between most of the need types and deprivation. Because of the more random incidence of high cost AEN at local authority level, a large proportion of the distribution for BES1, CI and SP is assumed to be by a flat rate.
- a.** There is a weak association between BES1 and deprivation at local authority level. However, when exploring the association at a small geography scale a slightly stronger link is observed. Therefore, we are proposing to distribute 25% of BES1 funding via deprivation.
 - b.** To represent the proportion of pupils with severe Cognition and Learning AEN, as with the AEN block, an underperformance measure is appropriate. To direct funding towards the most severe needs a measure of those pupils achieving no more than Level 2 at Key Stage 2 is proposed to distribute funding of this need type. Chart 8 in Annex C shows this attainment for each local authority.
 - c.** Evidence suggests a weak link between Communication and Interaction needs and deprivation, reflected in our proposal to distribute 90% of the money for that need via a flat rate, and 10% via a deprivation indicator.
 - d.** Evidence from the report *Special Educational Needs and Disability: Understanding Local Variation in Prevalence, Service Provision and Support*, published in February 2010, suggests a weak link between pupils with hearing impairment and eligibility for Disability Living Allowance (DLA). We therefore propose to include the proportion of children eligible for DLA as an element of the distribution of Sensory and Physical funding. Chart 9 in Annex C shows the distribution of the percentage take up of DLA by local authority. We propose that the remaining funding is allocated as a flat rate.
 - e.** As with AEN, it is assumed that the incidence of English as an Additional Language is associated with the incidence of the need.

AEN Type	HCP	Need incidence
Behavioural, Emotional and Social Interaction	25% Deprivation 75% Flat rate per pupil	26%
Home Environment	100% Deprivation	6%
Cognition and Learning	100% by Not Achieving More than Level 2 at Key Stage 2	33%
Communication and Interaction	90% Flat Rate Per Pupil; 10% Deprivation	18%
Sensory and Physical	80% Flat Rate Per Pupil 20% DLA	8%
English as an Additional Language	100% English as an Additional Language	1%
Other	100% Flat Rate Per Pupil	8%

- 4.12** So the relevant proportion of the block will be distributed using the corresponding indicator. For example, we will distribute 26 per cent of the high cost pupils block for BESl, 25 per cent of which will be via deprivation, and 75 per cent of which will be flat. In total, 50 per cent is distributed via a flat per pupil rate. Of the remainder, 33 per cent is distributed via a measure of those pupils not achieving higher than Level 2 at Key Stage 2, 14 per cent via a deprivation proxy, 2 per cent via the take-up of Disability Living Allowance and 1 per cent via English as an additional language.
- 4.13** For the distribution of funding for high cost pupils we are not offering a range of options other than for the allocation of deprivation funding, for which we propose to use the deprivation indicator decided upon for the AEN allocation. The range of deprivation indicators are set out in Chapter 3.

Other issues

Recoupment

- 4.14** We considered the case for an alternative to the current system whereby the additional costs of high cost pupils, above, that allowed for in the basic entitlement, are met by the local authority where the pupils reside rather than, as with the rest of the funding system, the provider authority. Evidence suggests that there is no strong support for a change and we propose to retain the current recoupment system for pupils with statements educated outside the resident authority. We will encourage voluntary recoupment for pupils classified in the school action and school action plus categories who are educated outside the resident authority and who have similar levels of need to statemented pupils.

Joint commissioning of provision

- 4.15** We considered whether better value for money and/or provision for very high cost pupils could be achieved through joint commissioning by local authorities. Evidence suggests further work on building capacity and experience within local authorities is needed before such a system could work effectively. We will keep this issue under review. In particular we will study how the new post-16 system, which will have a strong regional element, works after post-16 funding is transferred to local authorities in 2010.

Questions

Do you agree with the methodology for distributing money for High Cost Pupils?

Chapter 5

Sparsity

Reflecting the additional costs of small primary schools in sparsely populated areas

Background

- 5.1** Access to high quality education and other activities and services should not depend on where pupils live. In practice the geography of the land and the variety in density of population means that certain areas face additional challenges in meeting that demand.
- 5.2** In England, 4,476 primary schools have fewer than 150 pupils, of which 1,647 have fewer than 80 pupils. Diseconomies of scale mean that these smaller schools cost more per pupil to run. For primary schools in 2009-10, the average budget share per pupil including SSG, SSG(P), SDG, and other Standard Fund allocations (excluding opening and closing schools) is £4,840 in schools of fewer than 80 pupils, falling to £3,909 in schools of 80 to 149 pupils. These figures compare to a national average of £3,682 per pupil.

School Size (FTE)	Number of Schools	Budget share per pupil including grants
Fewer than 80	1,647	£4,840
80 to 149	2,829	£3,909
150 or more	12,384	£3,512
All primary schools	16,860	£3,682

- 5.3** We accept that some local authorities will have no realistic alternative to maintaining small primary schools, in what are typically rural areas, in order to deliver education to their pupils. They should be supported to meet the necessary additional costs through the DSG formula.
- 5.4** The White Paper *Your Child, Your Schools, Our Future: Building a 21st Century Schools System* recognised the importance of rural schools, and indicated that the development of partnership working between them is important to their longer term sustainability. The Government has signalled that it wants to see the small schools subsidy used for this purpose. This would bring two major benefits to rural communities. Firstly, schools need to work together to deliver the full range of teaching and learning, activities and support that children deserve. By working together, schools in rural areas will be in a better position to improve outcomes for their children than working alone. Secondly, schools that work together will be better able to deliver economies of scale through such actions as employing shared business managers, agreeing joint energy contracts and other measures that deliver efficiencies. Investing the additional money that small schools

receive into such partnerships will not only help to improve children's outcomes, but should also be a means of securing the future of small rural schools.

- 5.5** Small schools play a vital role – but they cost more per pupil to run. Where they are necessary it is important that we continue to support them. Rural schools play an integral role in local communities, often being central to village life. However, we should provide additional funding to not support small schools where they happen to exist because of historical accident or because the local authority chooses to configure its provision in a way which decreases its ability to generate economies of scale.

Sparsity factor and options

- 5.6** Whilst we could devise a formula which could allocate funding for all small schools, we consider that this could remove an incentive to maintain or develop an efficient school organisation. It is, therefore, necessary to use a measure to allocate funding that does not inherently use school size as a factor but maintains a logical link.
- 5.7** Where there is a very low density of pupils in an area, this suggests a need for small schools. We have decided, therefore, in keeping with previous formulae, to support predominately rural authorities through a sparsity factor based upon the sparsity of the early years and primary pupil populations.

Methodology

- 5.8** There are three issues to be considered when developing a sparsity factor:
- The source of data to be used;
 - The thresholds to apply when defining sparsity and super sparsity; and
 - The geography to which we are applying the sparsity measure.

Data sources

- 5.9** The distribution in 2005-06, which underpins the Spend Plus system, used information from the 2001 National Population Census to describe how sparse the population of a local authority was. This census data is collected every ten years, covering the whole population, and the 2011 census would not be available in time to be used for the new formula.
- 5.10** In future therefore, we propose to use the home postcode data in the annual school censuses. These are collected annually and, as a pupil census, would more accurately reflect the sparsity of the pupil population.

Thresholds to be applied

- 5.11** Our starting point for the sparsity analysis has been the thresholds used for the 2005-06 distribution. The thresholds of 4 persons per hectare for sparsity and 0.5 persons per hectare for super-sparsity were set as a measure of sparsity across all ages. It follows that when considering school age population only, the thresholds need to be adjusted to

reflect the new population. We can do so using the proportion of the population aged 3-10 as recorded on the 2001 national census. As the 3-10 population represented just over 10% of the 2001 census population, the scaled factors would be 0.408 for sparsity and 0.051 for super-sparsity. The table below gives the adjusted factors.

	Whole population	3-10 yr olds
Proportion of population – 2001 Census	100%	10.2%
Ordinary sparsity threshold (persons per hectare)	4	0.408
Super-sparsity threshold (persons per hectare)	0.5	0.051

Geography from which we derive the sparsity measure

5.12 Previously, the electoral ward geography was used to derive the sparsity measure. As wards can vary dramatically in geographic size and population density, the use of more regular geographies based upon the national census Output Area geography was explored. The Middle Super Output Area provides a replacement to the ward geography but provides a comparable number of geographic units to that of wards. We therefore propose to count the number of sparse and super-sparse pupils in every local authority (some will of course have none) and multiply that number by chosen unit costs to determine the additional amount of funding for sparsity for each local authority. The method of deriving the unit cost would be the same as that used for the 2005-06 distribution, which calculates the additional costs of small schools as compared to larger schools. Under the previous system a small school was defined as having 150 FTE pupils or fewer but the analysis also took account of the higher costs for very small schools, defined as 80 FTE pupils or fewer.

Options

5.13 We propose two options for the sparsity factor: a broad option which includes more local authorities or a narrower option.

Broad option

5.14 The thresholds could remain as 0.408 pupils per hectare (sparse) and 0.051 per hectare (super-sparse), which equates to the whole population thresholds previously used of 4 persons per hectare (sparse) and 0.5 per hectare (super-sparse). This would, at current figures, result in 104 local authorities receiving additional money for sparsity, with 1.07 million pupils deemed sparse or super-sparse.

Narrow option

5.15 We could reduce these thresholds in order to target more money at the most sparsely populated local authorities. Reducing the thresholds to 0.077 (sparse) and 0.02 (super-sparse) would mean that around 300,000 pupils are deemed sparse or super-sparse, a number similar to the pupils who currently attend small (<150FTEs) rural primary schools,

around 280,000. Under these altered thresholds 66 authorities would receive sparsity money, enabling us to increase the unit cost for each sparse pupil. Those local authorities with the greater need for sparsity money would benefit.

- 5.16** Charts illustrating the sparsity and super-sparsity measures for each local authority and the composite sparsity index, under both broad and narrow options, can be found in Annex C, Charts 10, 11 and 12. It should be noted that the increased unit cost under the narrow option means that a lower index on the narrow option does not indicate a reduced allocation.

Rejecting a secondary sparsity factor

- 5.17** We considered the case for a factor for small secondary schools as well as primary, and discussed this with the Formula Review Group. There are three relevant issues:
- whether there are enough small secondary schools to warrant a dedicated sparsity factor and whether their occurrence can be predicted by a sparsity measure;
 - whether or not small secondary schools require more teachers per pupil than other schools; and
 - if not, whether that means that small secondary schools are unable to deliver sufficient choice in the KS4 curriculum.
- 5.18** There is no clear threshold for defining a small secondary school. Analysis presented to EFSG used 600 FTE as a threshold. Repeating the analysis for secondary schools with this definition confirmed there was no robust link between small secondary schools and sparsity. Only when the definition of a small secondary school increased to 700 to 800 FTE did the analysis become robust. However, it becomes difficult to argue that schools of this size are “small”.
- 5.19** Further analysis was undertaken to explore the case for a “small schools” factor for secondary schools. The relationship between the number of full time equivalent teachers and pupils was explored to determine if small schools faced greater funding pressures due to providing more teachers. The analysis suggested that there is no evidence that small schools had disproportionately more teachers than other schools. Therefore, there would only be a case for additional funding if it could be shown that small schools were unable to provide the same range of subjects as a consequence of not having as many teachers and therefore potentially disadvantaging their pupils.
- 5.20** We analysed the number of subjects on offer at each school using GCSE data, considering similar subjects as belonging to the same family and concluded that there is significant variation. Whilst the number of subjects available increases to some extent with school size, there is also very wide variation in the number of subjects available in schools of similar sizes. This variation suggests that the need for a secondary sparsity factor has not been proved as schools with similar funding are able to provide more subject families than other schools. There will be additional home to school transport costs for secondary schools in sparse areas, but such costs are covered in the Communities and Local Government (CLG) general local government funding arrangements.

- 5.21** Related to this was the issue about the ability of secondary schools in rural areas to offer a full range of Diplomas as these become available. Funding for Diplomas is currently provided through a specific grant and this is set to continue over the next few years as Diplomas continue to roll out. Within the current Diploma grant is a sparsity element to reflect the additional costs of providing Diplomas in rural areas. We believe that there is no case for additional funding through the DSG.

Questions

Do you agree that the school census and Middle Super Output Area are the right data sources and geography to use to assess the sparsity of an area?

Which method for calculating the sparsity factor do you think will best enable additional funding to reach those local authorities that need to maintain small schools – the broad or narrow option?

Do you agree that there should not be a secondary sparsity factor?

Chapter 6

Area Cost Adjustment

Reflecting labour costs in different areas

Background

- 6.1** The cost of providing comparable services in two local authorities will often differ. The Area Cost Adjustment (ACA) reflects the need for schools in some areas to pay higher salaries and to pay more to recruit and retain staff. In the 2003 formula it was calculated on the basis of differences between authorities in labour costs, with a small addition related to business rates. In terms of labour costs there are direct costs, such as teachers, education support staff, administrative staff, cleaners and catering staff, and indirect costs including recruitment and retention costs. There are also costs associated with providing staff cover. The ACA is intended to reflect geographical variations in staff costs and should not reflect local decisions which result in variations for other factors such as age, sex, education level, and occupation mix.
- 6.2** Teachers' pay is determined nationally on the recommendation of the School Teachers' Review Body (STRB). There are four pay bands covering England and Wales and the effect of a national pay system is to reduce the variation across the country in the direct costs of employing teachers. The pay of non-teaching staff is not currently subject to similar arrangements but statutory provisions for a national negotiating body for such staff were passed as part of the Apprenticeships, Skills, Children and Learning Act 2009.
- 6.3** A review of the most appropriate system of reflecting area cost differences for education was last undertaken in 2002. Three broad approaches were considered:
- a.** the general labour market (GLM) approach, which calculates an enhancement based on the wages of employees in general in different areas;
 - b.** the specific cost approach, using actual London weighting payments to teachers and other staff to calculate the enhancement; and
 - c.** an approach based on differences between areas in the cost of living rather than differences in wages and salary levels as with (a) and (b) above.

General labour market approach

- 6.4** The general labour market approach looked at the relative pay of various groups of workers in different geographical areas, as shown in the New Earnings Survey (now the Annual Survey of Hours and Earnings). The underlying principle of this approach is that teachers and other education workers are part of a general labour market so local authority employers have to compete with other employers, many in the private sector, in order to recruit and retain sufficient staff of the necessary quality. Where private sector wages are higher, so should those in the public sector be and local authorities in these

areas need to be compensated with higher funding in order to compete with private sector employers on a level playing field.

- 6.5** The methodology for the previous formula used the GLM approach.

Specific cost approach

- 6.6** The specific cost approach considered back in 2002 concentrated on the London weighting payments which are actually made to teachers and other staff.
- 6.7** Local authorities would be given extra resources depending on how much they actually have to pay their staff, thereby providing a link between rates of pay for teachers and other staff, and the additional funding provided to local authorities.

A Cost of living approach

- 6.8** The cost of living approach involved deriving an index of relative house prices as the basis for calculating the ACA. The index would act as a proxy for differences in staff costs across the country. Housing costs were chosen as accommodation costs take the biggest share of income and were mentioned as an important factor affecting employees' decisions to work in one area rather than another. This approach would therefore attempt to deal directly with the main barrier to recruitment and retention.
- 6.9** More detail on how the current ACA methodology operates is set out in Annex A.

Evidence for a new formula

- 6.10** PwC were commissioned to consider how funding within DSG can best reflect the differing labour costs across the country, including to report on such issues as:
- The different methods used to construct an Area Cost Adjustment, including those used by other departments and agencies;
 - The current structure of the four pay bands to see whether they currently help those areas facing the most significant labour market challenges;
 - The merits of different approaches to an ACA.

Relationship between the ACA and the teachers' pay bands

- 6.11** Relevant to our consideration of the most appropriate ACA for the DSG is how it interacts with the teachers' paybands. The cost of teachers' salaries is the single largest element of staff costs and there is therefore a case for the ACA to reflect, at least in part, differences between the pay bands. If that is not the case, changes to the paybands will not result in changes to funding levels and this could affect the ability of local authorities to implement such changes.
- 6.12** The current CLG ACA geographies used for the education ACA and also the payband geographies are set out in Annex B. This shows that there is some misalignment between the two geographies. In particular, Brent, Barking and Dagenham, Ealing, Haringey,

Merton and Newham are assigned to outer London GLM regions but are included in the inner London payband.

Options for the Area Cost Adjustment

- 6.13** We have considered the four generic options identified by PwC:
- the general labour market approach – which uses wages in the wider labour market to reflect differences between areas;
 - the cost of living approach – which uses variations in the cost of living across different areas;
 - the specific cost approach – which uses actual costs of recruiting and employing staff; and
 - a hybrid method which combines two or more of the above approaches.
- 6.14** We consider that neither the cost of living approach nor a pure specific cost approach is a realistic option for the ACA.
- 6.15** Whilst it would be possible to develop a cost of living approach based on house prices we have concerns about how appropriate house prices are as a measure. Despite generally being the largest element in any cost of living measure there seems to be little evidence of a link between house prices and the recruitment and retention of education employees. House prices can be affected by a range of factors, such as supply and availability of credit, unrelated to wage differentials between areas. Therefore basing the ACA on house price differences across the country would not necessarily be the best way of reflecting differences in costs of education staff across the country. More importantly, house prices over the last decade have been much more volatile than earnings. This, we believe, would make the ACA, and therefore the funding distribution, unstable even if we were to take a three year average in our calculation.
- 6.16** The specific cost approach relies on good sources of data for all of the elements it covers – both direct and indirect costs of teaching and other staff. Whilst it is possible to use the requisite data on the direct costs of teachers, sufficient information for non teaching staff and for indirect costs is not available. We are not taking forward the specific cost approach as a whole but are using part of this approach for the hybrid option.
- 6.17** This leaves us with two options for determining the ACA:
- The General Labour Market approach – but with decisions to be made around the most appropriate geographies, etc; or
 - Adopt a newly developed hybrid approach which would be based in part on the specific costs of teachers and on the GLM for the remaining elements.

General labour market

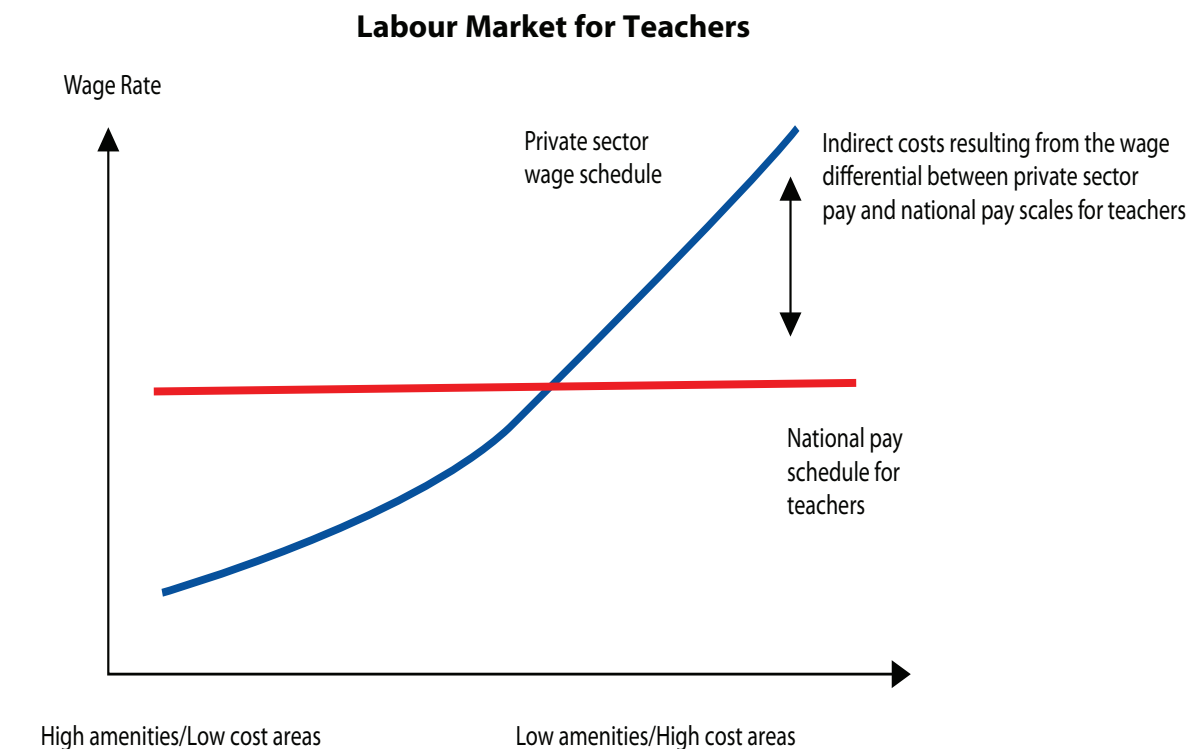
- 6.18** The GLM approach works on the basis that the school labour market operates as part of the wider labour market. Therefore, were we to proceed with this approach, we would

consider it appropriate to do so applying the same methodology as used for other parts of the local government finance system. We would:

- include both public and private sector employees in the calculation;
- apply the ACA to the 49 England geographical areas;
- not include a geographic smoothing mechanism which has the effect of minimising differences in different geographical areas; and
- include a lower limit which identifies a number of geographic areas as having no cost adjustment.

6.19 The Department for Communities and Local Government are intending to consult later in the year on the operation of the ACA across the wider finance system. We would expect to follow any changes proposed by CLG.

6.20 An ACA is intended to adjust for differences in the unit costs of labour faced by schools, after controlling for variations which reflect other factors such as age, sex, educational level and occupational mix. While this will mainly reflect the actual costs of paying teachers, there is an argument that some local authorities will face indirect labour costs where the pay offered does not reflect pay rates in the local labour market. These costs may be financial but there may also be a cost in terms of lost quality. The chart below reflects this theory:



6.21 Teachers' pay is determined nationally on the recommendation of the STRB. There are four pay bands which to some extent reflect differences in labour market variations across the country. But local labour markets might require schools to make further adjustments. For instance, in areas of low cost or high amenities, which would compensate for lower

wages, staff turnover and therefore indirect costs would be lower. Conversely in high cost, low amenity areas, which pay below the market rate for teachers, indirect costs will be higher resulting from higher staff turnover, higher recruitment costs and more reliance on agency staff. To counteract this additional pay flexibilities were introduced, enabling governing bodies to have some local control over their teachers' salaries. They are not however extensively used and this results in a flatter structure for teachers' pay than the local markets. We would continue to encourage schools to use pay flexibilities where appropriate.

6.22 A General Labour Market approach would reflect this and attempt to encompass both the direct and theoretical variances in indirect costs of employing school staff.

The GLM ACA is illustrated in Chart 13 in Annex C.

Hybrid approach

6.23 We do not have sufficient data to develop an ACA approach based solely on specific costs. We do however have data in some areas which is of sufficient quality, namely the nationally set teachers' pay bands, to develop such an approach. The hybrid method is an attempt to define a workable approach which includes specific costs as far as possible, using robust data where it exists, and a different approach where it does not. Compared to a full specific costs approach methodology, this has the attraction of being able to allow for differences in recruitment and retention costs without requiring an extensive data gathering exercise. When compared to a full GLM approach, it has the advantage of reflecting the specific costs of a large part of the workforce whilst retaining the link to the economic theory that applies to the remainder of the workforce.

6.24 In the hybrid approach, the direct costs actually being incurred by employing teachers form the main, specific costs approach part of the Area Cost Adjustment. The remainder, using the GLM approach, covers the direct costs of non-teaching staff as well as the indirect costs associated with teachers.

6.25 The hybrid option therefore involves:

- A specific cost approach using the teachers' pay bands to cover the direct financial costs of teachers;
- A GLM based approach to cover the direct financial costs of non-teaching staff; and
- A GLM based approach for the indirect costs for both teaching and non-teaching staff.

6.26 Details of how the hybrid method operates are set out in Annex B. It involves deriving a national index of the direct financial cost of each group of teaching staff. A key issue is determining the split of pay between teachers and other staff, which we have calculated to be 68:32.

6.27 For the specific costs element of the hybrid approach we have:

- taken the number of teachers at each spine point to produce a national profile of salary costs

- we then determined the actual costs of employing the national profile of teachers within each of the pay bands
- the relative costs to the Rest of England pay band then allow for the specific costs element of the hybrid ACA to be constructed

6.28 For the GLM element of the hybrid approach, we have made the same assumptions as for the main GLM approach, namely:

- using 49 geographical areas
- not including a smoothing mechanism; and
- including a lower limit.

The hybrid ACA is illustrated in Chart 14 in Annex C.

GLM versus hybrid

6.29 A decision between the two options comes down to a judgement of whether teachers are seen as part of the wider labour market, and therefore labour market movements are judged to reflect adequately changes across the country in the direct and indirect costs of teachers; or whether the variation in teacher costs across the country is sufficiently different to the general labour market to warrant separate treatment, as is the case for doctors and dentists when compared to other NHS staff.

6.30 For the GLM approach, PwC research suggests that if you also include the theoretical indirect costs of teachers, by looking at recruitment and retention differences across the country, then GLM is preferable because it is capable of adequately reflecting differences across the country in the total staff costs for the education sector. It is the current approach used for education, and by a number of other departments.

6.31 The GLM approach assumes that there is a significant gap between the pay bands for teachers and private sector wages which results in indirect costs for schools in terms of additional recruitment and retention costs and other costs such as more frequent use of agency staff. However, evidence drawn from analysis of school expenditure from section 52 outturns and other sources indicates that schools are not incurring substantial costs of this type.

6.32 It can be argued that the hybrid approach more closely reflects the education sector as it uses the direct financial cost of teachers as part of the calculation, whilst also recognising the indirect costs of teachers as indicated by schools' actual levels of spending. It is a more complex system to operate and involves a calculation of the relative weights of the specific cost and GLM elements of the process. However, it is also more intuitive as it does have a direct link between the teachers' pay bands and the funding for differential labour costs. There is sufficient data from section 52 to derive a reasonable weighting between the two elements of the hybrid – which we have estimated at 68 per cent for teachers salaries and 32 per cent for other staff costs.

6.33 The hybrid approach would allocate fewer resources than the GLM method because the differential between higher and lower cost areas is calculated to be smaller. This could

allow for the additional money to be recycled through the basic entitlement to all local authorities. It also means that for the purposes of comparing the two, the hybrid indices need to be raised by about 1.5 per cent to give comparability with the effects of GLM.

Improving the link between pay bands and funding

- 6.34** A further consideration, which has been relevant to our development of a hybrid option, is the link between the ACA and the teachers’ paybands. The current GLM geographies do not align with the paybands. This has been a particular issue for London, as identified above, and we have been considering the extent to which the above options are able to reflect decisions on the payband relativities and geographies. It is clear that the hybrid approach is best able to do this. By feeding any changes made to the paybands directly into the specific cost element of the hybrid approach, the ACA can directly reflect these changes. Therefore, should the paybands change in the future, it would be straightforward to reflect these changes in the hybrid option.
- 6.35** The position is less clear cut for the GLM approach. We use the CLG approach to defining the geographies and this currently operates for 49 areas. CLG are proposing to consult later in the year on their proposals for options for ACA methodology from 2011 and we would need to reflect CLG decisions if the GLM approach was chosen for this purpose. Moreover, the GLM approach has no way of reflecting changes in relativities between the pay bands.

Rates

- 6.36** We considered whether there is a case for an element of Area Cost Adjustment to be based on variation in the levels or rates payable by schools. Our investigation showed that there is some regional variation but it is not systematic, and there is also variation between authorities within each region. Expenditure or rates is also influenced by the proportion of aided and foundation schools, which receive rate relief, in each area. Given this outcome, and the relatively small amount of expenditure represented by rates within the DSG, we do not intend to pursue further the idea of a separate ACA factors for rates. Additional detail is provided at Annex B.

Questions

Which is the fairest method of applying the Area Cost Adjustment?

Chapter 7

Transitional arrangements:

Protecting schools and local authorities from significant fluctuations in funding

Background

- 7.1** One of the reasons for a move back to a formula based approach is that the current system of Spend Plus, whilst providing stability and predictability, has led to a disconnection between pupils' characteristics and the amount of funding the local authority receives in respect of those pupils. In 2010-11, the Guaranteed Units of Funding per pupil will be largely based on how much local authorities spent five years previously. In addition, the 2 per cent cash floor, which supports local authorities with falling pupil numbers, takes some authorities even further away from their previously assessed level of need per pupil.
- 7.2** This of course means that introducing a needs based formula in place of the current Spend Plus approach is going to result in significant distributional changes. It would not be right to introduce sudden changes in local authority budgets. We recognise that local authorities and schools will need time to prepare. Therefore the implementation of the formula is going to require transitional arrangements.

Specific grants

- 7.3** As we are mainstreaming specific grants into the DSG we propose to have a single set of transitional arrangements that applies to a baseline incorporating both the DSG and these grants. We consider this approach is preferable to separate transitional arrangements for grants that are being mainstreamed.
- 7.4** This approach would almost certainly require local authorities to revise their local formulae so that it takes account of the money that was formerly in specific grants. However, it would be unrealistic to expect local authorities to change their formulae in time for 2011-12. Therefore local authorities need to be able to distribute funding through their existing formulae but taking into account the current levels of grant that schools receive. In addition, the Minimum Funding Guarantee would restrict the degree of movement towards new local formulae over the period. **We therefore propose to amend the School Finance Regulations to enable local authorities to include previous specific grant payments as formula factors for 2011-13.**

School level protection

- 7.5** We intend to set a Minimum Funding Guarantee per pupil in each of the years 2011-12 and 2012-13. This means that all schools will receive a guaranteed cash increase per pupil, subject to exclusions such as resources assigned to individual pupils and adjustments for

marginal pupil number changes. Schools Forums will retain the power, to make adjustments to the operation of the Minimum Funding Guarantee, where it affects fewer than 50 per cent of the pupils.

- 7.6 The Minimum Funding Guarantee would apply to a school’s total budget, including both money from the DSG and additional funds previously allocated through specific grants that we are rolling into the DSG.
- 7.7 We will also take this opportunity to consider if the operation of the Minimum Funding Guarantee can be improved.

Local authority level protection

- 7.8 In order to protect local authorities from significant potential losses in the formula, we intend to have a per pupil floor set above the Minimum Funding Guarantee. No local authority would receive an increase lower than the per pupil floor in either 2011-12 or 2012-13.
- 7.9 This floor will need to be paid for by either a ceiling on large increases for some authorities or by reducing the allocation to all other non-floor authorities (or a combination of the two).

Cash floors

- 7.10 The current DSG distribution includes a cash floor for local authorities, in order to protect them from falling pupil numbers. In addition, local authorities’ own formulae commonly include cash floor arrangements at school level. However, in a formula-based system the operation of a cash floor is likely to move authorities with falling rolls away from the formula rather than towards it, and could restrict attempts to move all authorities on to the formula over time. We therefore do not intend at this stage to operate a cash floor. However, we recognise that there may be issues for those local authorities that both stand to lose under the new formula and which have declining pupil numbers, and will consider whether any protection needs to be offered for local authorities in that position.

Questions

Do you support our plans for the transitional arrangements for mainstreaming grants?

Should floors be paid for by all local authorities or just by the largest gaining authorities?

Do you have any suggestions for how the Minimum Funding Guarantee could be improved?

Chapter 8

Further considerations and conclusion

Other issues and next steps

8.1 We have considered a number of other issues as part of the review.

Academies

8.2 As we move towards the target of 400 Academies the review considered how best to adjust the DSG for the conversion of maintained schools into Academies. Two approaches have been used so far for this adjustment:

- **Pupil numbers:** the approach used until 2008 of adjusting by taking 7/12 of the pupils at the preceding January (for September conversions) out of its DSG pupil count and the full number from the next financial year; and
- **Recoupment:** each local authority currently has to calculate an appropriate budget share for the Academy as if it was still a maintained school and a relevant portion of central expenditure. The total of these two components for all Academies in each local authority is recouped from their DSG allocation. This approach was adopted for Academies converting after 2008 following concerns that adjusting the pupil count did not accurately reflect the funding which the authority would have provided to the Academy.

8.3 Recoupment will operate at least for 2010-11 but in the longer term, the Department is minded to return to the pupil number adjustment system for both newly converted and existing Academies. Our analysis suggests that the difference between the two systems is small in financial terms and the rising number of Academies means we need as simple a system as possible. A further difficulty with the recoupment approach is that recoupment data is received centrally very late in the financial year and this threatens to hold up the finalising of DSG beyond the financial year to which it applies, making accountability particularly difficult. A further year of comparison between the two systems will be undertaken using data for 2009-10 to inform a final decision.

Impact of Academy conversion on centrally retained services

8.4 We also considered the issue of whether increased Academy conversion was having a significant effect on the viability of central services. An analysis by the Department suggests no significant difference to the trends between groups of local authorities with Academies and those without. An important element within the local authority central services block is funding for high cost pupils. Our proposals involve funding for such

pupils remaining with the resident local authority and this will be unaffected by the number of Academies, so this proposal should greatly reduce any effect of Academy conversion on such services. We do not see a case therefore for adjusting the DSG. As with the adjustment issue above, a further year of analysis will be undertaken using data for 2009-10 to inform a final decision.

14-19 funding

- 8.5** The review considered whether there was scope for developing a common 14-19 funding system. We concluded that the timing was not right to introduce such a funding system now. This decision was announced in the 21st Century Schools White Paper *Your child, your schools, our future: building a 21st century schools system*. Important considerations were the timing of the full roll out of the duty to participate in education or training until the age of 18, which will not be until 2015, and the need to allow more time for Diplomas for 14-19 year olds to bed in. It is early days for our Diploma strategy with the first five Diplomas only coming on stream in 2008-09. Likewise, Foundation Learning is currently only in the second year of piloting and developmental delivery. The ambition remains to develop a national 14-19 funding formula over the longer term, and we intend to consider it during the next spending review period.

Contingency funding

- 8.6** In 2008 we introduced the Exceptional Circumstances Grant (ECG). Its purpose is to assist those authorities who experience:
- significant growth in the number of pupils between the January school census and the start of the academic year; or
 - significant growth over the spending period in the number of pupils with English as an additional language.

This grant is funded from the overall DSG settlement. In 2008-09 and 2009-10, no authorities received ECG for a general increase in pupil numbers, although several have received funding for increases in the proportion of pupils with EAL.

- 8.7** We are seeking views on whether there is a case for a similar arrangement from 2011, funded from the DSG, and if so how it should operate and what circumstances should be covered.

Service children

- 8.8** The review considered whether there is evidence that children of parents from the Armed Services are underachieving and need additional support. This follows a commitment in the Ministry of Defence's Command Paper *The Nation's Commitment: Cross-Government Support to our Armed Forces, their Families and Veterans*, to review the educational performance of Service children in England and identify where there is underachievement. The paper said that any disadvantage identified would be addressed, which could be through the DSG review where appropriate. The Department is now able

to identify Service children flagged in the annual school census and has analysed the results for 2008. These show that such pupils do well compared to their non-Service children peers. This does not therefore suggest the need to make specific provision for Service children in the DSG formula. We will keep the position under review, taking account of attainment data in subsequent years.

- 8.9** We consider that there is a case for support for schools which traditionally cater for Service families, mainly those located near armed service establishments. Such schools are prone to pupil number fluctuations, and therefore funding, due to troop movements, and can affect their stability and sustainability. We are considering whether to allow local authorities with such schools to make a claim for additional pupils to be counted for DSG purposes where numbers have fallen significantly from one year to the next as a result of armed forces movements. These claims would be made directly to the Department and would be considered individually on their merits.

Private Finance Initiative (PFI) schemes

- 8.10** The Department has been looking into the revenue cost of running PFI schemes to assess what, if any, pressures they are placing on local authority budgets. Not all local authorities have PFI schemes and the nature of such schemes will vary across the authorities that operate them. We issued a questionnaire in the autumn of 2009 to the 100 local authorities with such schemes, seeking information on the way in which they fund them, from what sources and how they account for the funding in their financial returns. Local authorities had until the end of January 2010 to respond. We are analysing responses and will consider whether PFI issues need to be taken into account in the future distribution of funding among local authorities.

Home educated children

- 8.11** The Badman report on home education recommended that local authorities should give access to certain services to home educated children whom they do not otherwise fund. As announced in the Government response to the Badman report, we propose a scheme which would allow local authorities to make a claim for these children, who are receiving limited services, to be counted for DSG purposes. The local authority would need to confirm that it is providing services to these children. The children would count as 0.1 pupil each for DSG purposes.
- 8.12** We have already clarified in guidance to local authorities that they can include home educated pupils in their DSG count where they are providing substantial financial support, for instance for SEN or the cost of a pre-16 pupil's attendance at an FE college.

Other children's formulae

- 8.13** Whilst the Department is not at the current time carrying out a full review of the children's services relative needs formulae (RNF), administered by CLG, some of the factors included in these formulae are affected by the research and evidence generated

through the DSG review. The youth and community formula includes secondary low achieving ethnic groups as a factor, and ward sparsity features in the Local Authority Central Education Functions formula. Both of these indicators are potentially changing, as set out in the consultation paper. Also the deprivation measures that feature in the youth and community, Local Authority Central Education Functions and children’s social care formulae do not match either of the options we are consulting on in this DSG review. The Department is minded to ensure that the low achieving ethnic group factor and the sparsity factor (which is specifically linked to home to school transport) which feature in the children’s RNF formulae are consistent with the factors featuring in the DSG formula. However we feel the deprivation formula which is used in children’s RNF formulae should be consistent with that used throughout the rest of the RNF formulae.

- 8.14 The Department for Communities and Local Government will be consulting on the impact of these changes in their consultation on the RNF formulae.

Questions

If a contingency arrangement for local authorities is to continue, funded from the DSG what areas should it cover and what should the criteria be for triggering eligibility?

Do you support our proposals for Service children?

Conclusion and next steps

- 8.15 This consultation sets out our broad plans for a new formula to distribute the Dedicated Schools Grant from 2011-12 onwards. But there are many decisions of detail to be made.
- 8.16 We want to hear views from all interested parties about both the overall makeup of the formula, and on the options that we have set out. In particular we want to hear principled arguments in favour of or against particular options.
- 8.17 Later in the year, we will publish a further consultation on firmer proposals, in particular specifying which options we will choose for the various elements of the formula taking into account responses to this consultation. This consultation timetable will enable indicative allocations to be given to local authorities in November. We would expect schools and local authorities in the meantime to plan based on assumptions about their budget they are able to make.
- 8.18 We will also consult later in 2010 on changes to the School Finance Regulations for the period 2011-13.

Consultation responses can be completed online at:

www.dcsf.gov.uk/consultations

or by downloading a response form which should be completed and sent to

e-mail: dsg.consultation@dcsf.gsi.gov.uk

or by post to:

Ian McVicar
SFTU
3rd Floor
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

Additional copies

Additional copies of the word version of this consultation and the response form are available from www.dcsf.gov.uk/consultations

The deadline for responses is 7th June 2010.

Annex A

Methodology underpinning the current funding arrangements

1. Until 2005-06, local authorities' core funding for schools and other pupil provision was provided in the same way as for all other local services through the local government finance system. To work out each council's share of Formula Grant the Government calculated a Formula Spending Share (FSS). The FSSs were based on mathematical formulae that included information on the population, social structure and other characteristics of each authority. The distribution of Formula Grant was determined by the Formula Spending Share formulae, the amount of council tax the authority was assumed to be able to raise and the floor damping scheme. The decision as to how much was spent on each service was a matter for local authorities, though there were strong expectations that increases in school funding allocations should be passed on.
2. The system recognised that different areas have different needs either because of geography or because of the particular needs of pupils, and the formula recognised the costs of:
 - the level of educational disadvantage (that is, social deprivation and other additional educational needs including Special Educational Needs) in each area, helping to ensure that all children have an equal opportunity to succeed;
 - area costs – recognising the higher cost of recruiting and retaining teachers and other school staff in some areas;
 - sparsity – recognising the fact that very small primary schools, necessary in rural areas, are more expensive to run.
3. This resulted in justifiable differences in the level of funding per pupil each authority area attracted, particularly between those areas with high levels of disadvantage and those with relatively little disadvantage, and those with comparatively low or high area costs.

Spend Plus funding mechanism

4. The system changed in 2006-07. The ring fenced Dedicated Schools Grant was introduced to ensure that the significant increases the Government was providing for schools and early years settings in every area each year reached the frontline. It has been distributed to local authorities using the Spend Plus methodology:

- The “Spend” element gives each local authority the same basic increase per pupil over their level of DSG per pupil for the previous year, with local authorities’ planned spending in 2005-06 as the baseline for the first DSG allocations in 2006-07.
 - The “Plus” element is top-ups earmarked for ministerial priorities, distributed using appropriate formulae. The major top-up for 2008-11 supports the roll-out of personalisation to all pupils.
 - Local authorities which had previously decided to spend below their Schools Formula Spending Share will have had their grant brought up to that level by 2010-11. One purpose of doing this was to facilitate the change back to funding by formula.
5. To increase the certainty of funding the Government also brought in multi-year settlements. The Spend Plus methodology was used to determine a Guaranteed Unit of Funding for every local authority for each year of a multi-year settlement. This is the amount the authority knows it will receive for every full time equivalent pupil in the January immediately before the financial year in question. This has enabled local authorities to set multi-year school budgets.
 6. The Spend Plus methodology was chosen for the first DSG allocations for 2006-08. The consultation on how to allocate funding for 2008-11 indicated strong support for its continuation as the method for distributing DSG for that period. However, it has required the setting of a base year to which future increases are applied, in this case 2005-06, and so does not allow for changes in relative need between local authorities after that time to be reflected. Whilst it has succeeded in bringing stability and predictability to the system, allocations are not directly based on the characteristics of the schools and pupils they are serving.

Previous formula

7. While the Spend Plus methodology is not adjusted for year on year changes in pupil characteristics between authorities, it does reflect to some extent differences in what local authorities were receiving for, and therefore spending on, various elements under the previous formula allocations in 2005-06.

Funding arrangements for reflecting the basic entitlement

8. The basic entitlement in the previous formula consisted of two components: the minimum entitlement and an AEN element – since every local authority was assumed to have a certain amount of AEN. The AEN element is the funding within the basic entitlement that pays for the threshold proportion of AEN pupils. This is described in more detail in the AEN section below. The minimum entitlement reflected a decision on how best to divide up the funding available from the Government across the formula elements. The minimum entitlement was adjusted to remove the element determined for AEN, high cost pupils, and sparsity costs in the primary sector. The remaining sums were available for the minimum entitlement and associated area costs. The AEN element in the

basic entitlement was calculated separately and added to this minimum entitlement to give the total basic entitlement.

Funding arrangements for reflecting pupils with AEN

9. The formula applied in 2005-06 was informed by research undertaken by PwC in 2002. The AEN factor had three elements:
 - cost – the amount that each AEN pupil attracts;
 - incidence – an estimate of the number of pupils with AEN in each local authority; and
 - threshold – a minimum threshold set at the level to reflect what is assessed to be in the basic entitlement.
10. Four categories of need were identified in 2002 – learning needs related to English as an Additional Language, specific learning needs such as autism, social needs and other learning needs. The types of cost of providing for pupils with AEN were:
 - school cost – cost of paying for additional resources such as teaching assistants;
 - opportunity costs – diverting resources such as teacher time towards AEN pupils in place of support that would ideally be provided by, for example, a learning support assistant;
 - unmet need – the assessed cost of needs for which schools said they were unable to provide. PwC recommended capping these needs at £1,800 per pupil.
11. The final formula used for the years 2003-04 to 2005-06 covered all met needs, school and opportunity costs, and half of the unmet need. The unit cost was reduced to reflect additional funding through specific grants for deprivation. An AEN index was developed to provide the best estimate of the proportion of pupils with AEN in each local authority. The index included:
 - a social indicator – in this case Income Support combined with Working Families Tax Credit and Disability Persons Tax Credit; and
 - an EAL and ethnicity indicator.
12. The threshold was set at the 10th local authority from the bottom of the AEN index which meant that the bottom 10 local authorities received the same amount of funding and was set at the level assumed in the basic entitlement – around 12 per cent of pupils assumed to have AEN. Local authorities with a proportion of pupils with AEN above the threshold would receive additional AEN funding.

Funding arrangements for reflecting high cost pupils

13. The calculation of the high cost sub block for 2005-06, which was the base year for the Spend Plus system, was informed by the work of the Education Funding Strategy Group, the Group established to consider the formula for the 2003-04 settlement. The main features of this system were:

- a. the client group included all pupils in maintained special schools, hospital schools and pupil referral units; all pupils for whom local authorities paid fees at non-maintained and independent special schools, and all pupils in other maintained schools who had statements.
 - b. funding would not be distributed on the basis of actual pupil numbers as they would be heavily influenced by local authority policy – in particular the variation in statementing policy. It would be distributed by resident child population.
 - c. an alternative measure of the number of children of high cost SEN in mainstream schools was calculated using data on low achievers – pupils performing two levels below that expected for their age.
 - d. this estimated distribution of high cost pupils was highly correlated with a range of socio-economic factors. A composite (proxy) indicator for distributing funding comprising income support and low birth weight was chosen because it had a high explanatory power for the distribution of high cost pupils across local authorities. This was multiplied by the 3 – 15 population.
 - e. high cost pupils at Academies were included, as the resident authority retained funding responsibility for pupils with statements at Academies.
14. The HCP spending share for each local authority was calculated by multiplying a national unit cost by the local authorities estimated number of HCPs.

Funding arrangements for reflecting sparsity

15. The 2003 formula, which was used in 2005-06, recognised that smaller schools cost more, and that it should be the pupil population that determined whether additional funding was actually required. The 2003 system recognised a relationship between sparsity of population and size of school, as well as identifying that small school costs increased significantly per pupil once the size of the school falls below 80 pupils.
16. A unit cost of £165 was established for 2003-04 based on uplifting the previous 2000-01 figure and adding extra for the under 5s. Ordinary sparsity was defined as the resident population of those wards within the area of the authority at the 1991 Census with more than 0.5 but less than or equal to 4 residents per hectare, divided by the total resident population of the authority, calculated using information from the 1991 Census. And super-sparsity was the same but for those wards with fewer than 0.5 residents per hectare.

Funding arrangements for reflecting area cost differences

17. The approach chosen in the 2003-04 formula and which underpins the current Spend Plus methodology was based on the General Labour Market approach used by the Department for Communities and Local Government (CLG). This is based on examining selected wage costs in each area and deriving an index. The CLG Area Cost Adjustment (ACA) includes both a Labour Cost Adjustment and a smaller Rates Cost Adjustment. The Labour Cost Adjustment is based upon the General Labour Market approach which

assumes that to secure and retain staff local authorities need to pay a local 'going rate'. Data from the Annual Survey of Hours and Earnings is used to calculate the Labour Cost Adjustment for each area controlling for age, gender occupation and industry sector.

18. The ACA uses both public and private sector earnings data, recognising that wage flexibility in the public sector, including other professions like police officers, will be lower as a result of the application of national pay scales.
19. The ACA can be calculated using different geographies. The current ACA factor combines smaller geographical areas together to create 49 ACA areas. The Isles of Scilly was not included in the calculation of the 49 geographies but was given a separate grant allocation, given its particular geographical characteristics.
20. The ACA also uses a threshold below which all local authorities are given the same ACA factor. This was included to recognise that all local authorities still have to adhere to national pay rates even if that rate is higher than the going wage rate for the area. The current CLG threshold means that some 72 upper tier and unitary local authorities are on the lower limit.
21. An ACA index was applied to the separate funding sub blocks. The index was added at the end of the process to determine the schools and local authority spending share, after adjustment had been made to reflect deprivation and sparsity (where appropriate). This resulted in some 4 per cent of the total being allocated to reflect area cost differences.
22. Documents relating to the current settlement can be found here: <http://www.teachernet.gov.uk/management/schoolfunding/schoolfunding2008to11/> and for the previous settlement can be found here: http://www.teachernet.gov.uk/management/schoolfunding/2006-07_funding_arrangements/. Details of the previous formula can be found here: http://www.teachernet.gov.uk/management/schoolfunding/2005-06_School_funding_arrangements/

Annex B

Supplementary technical information on the proposed formula arrangements

(i) Additional Educational Needs

1. The proposed methodology for allocating resources for AEN in the formula involves:

1. calculating the number of pupils with AEN nationally and those that are High Cost Pupils and removing the High Cost Pupils;
2. calculating the number of episodes of each need type nationally;
3. scaling the national figure back to the total national number of pupils with AEN (as some pupils will have more than one need);
4. allocating these pupils to local authorities by assigning an appropriate distribution method for each need type; and
5. choosing which distribution indicator to use from the options available – in this case the range of deprivation options.

Calculating the number of pupils with AEN nationally

2. We have used the PwC survey figure that 23 per cent of pupils in mainstream schools have AEN, including pupils with SEN (25 per cent in primary and 22 per cent in secondary). For the AEN element of the funding formula we need to remove high cost pupils, mainly those with SEN, who will be covered separately in the formula. We have used a financial threshold to define high cost, using the figure calculated from the survey of £6,218 per year, which is in addition to basic funding. Using this threshold and data from the survey we estimate that some 1.5 per cent of pupils in mainstream schools are high cost, which means that 21.5 per cent of pupils nationally have AEN (23.7 per cent in primary, 20.3 per cent in secondary and an assumed 25 per cent in Early Years settings). This amounts to some 1,588,000 pupils of the national total of just under 7.4 million pupils.

Calculating the number of episodes of each AEN type nationally

3. The survey also investigated the different types of need that pupils have and from this the following school level incidences of AEN by type for primary and secondary schools have been derived. It should be noted that a pupil may have more than one need.

SCHOOL LEVEL INCIDENCE Single or Multiple Need	Primary Incidence	Secondary Incidence
Behavioural, Emotional and Social Interaction	5%	7%
Home Environment	23%	9%
Cognition and Learning	12%	10%
Communication and Interaction	5%	2%
Sensory and Physical	1%	1%
English as an Additional Language	8%	4%
Other	1%	1%

4. By multiplying each incidence by the number of pupils in primary or secondary phases an estimate of the total number of episodes of each AEN type is produced. These are set out in the unscaled columns below and shows that some pupils will have more than one need.

Scaling the national figure back

5. As we have calculated that 23.7 per cent of primary, 20.3 per cent of secondary and an assumed 25 per cent of the early years pupils have AEN, the data is scaled back so that the total count of pupils is correct. This method captures multiple needs at pupil level. This is shown for primary and secondary below:

PUPIL INCIDENCE	Unscaled		Scaled	
	Primary AEN Pupils	Secondary AEN Pupils	Primary AEN Pupils	Secondary AEN Pupils
Behavioural, Emotional and Social	193,148	199,739	83,222	119,461
Home Environment	888,481	256,807	382,819	153,593
Cognition and Learning	463,555	285,341	199,732	170,659
Communication and Interaction	193,148	57,068	83,222	34,132
Sensory and Physical	38,630	28,534	16,644	17,066
English as an Additional Language	309,037	114,136	133,154	68,264
Other	38,630	28,534	16,644	17,066
Total	3,094,787		1,495,677	

6. The survey did not cover early years settings and therefore the incidence of AEN by need type is assumed to be the same across the early years settings and the Reception to Year 6 blocks. The incidence is summarised below:

	Early Years Settings	R to Y6	Y7 to Y11
Behavioural, Emotional and Social Interaction	9%	9%	21%
Home Environment	42%	42%	26%
Cognition and Learning	22%	22%	29%
Communication and Interaction	9%	9%	6%
Sensory and Physical	2%	2%	3%
English as an Additional Language	15%	15%	12%
Other	2%	2%	3%
Total (ignoring rounding)	100%	100%	100%

Assigning an appropriate distribution method for each need type

7. We know that the incidence of these needs correlates closely to certain indicators e.g. deprivation. We have assumed that local authorities that have pupils with those indicators also have pupils with the corresponding need type. We have linked the above need types to the most appropriate distribution methods. The rationale for this is set out in Chapter 3.

AEN Type	Distribution methods
Behavioural, Emotional and Social Interaction	Deprivation
Home Environment	Deprivation
Cognition and Learning	Underperforming groups
Communication and Interaction	Flat Rate Per Pupil
Sensory and Physical	Flat Rate Per Pupil
English as an Additional Language	English as an Additional Language
Other	Flat Rate Per Pupil

Choosing which distribution indicator to use

8. Three of the need types will be allocated by a flat rate and paragraph 3.17 sets out how the underperforming groups will be defined for the cognition and learning allocation. The main issue is around which deprivation indicator to use for the BES1 and Home

Environment need types. The rationale is set out in the AEN section above and includes the following options:

Option 1 – Out of Work – Tax Credit Indicator

Option 2 – FSM – Free School Meals

Option 3 – Child Poverty Measure

Option 4 – Average IDACI (Income Deprivation Affecting Children Index) score of pupils educated within the local authority

Option 5 – FSM with the additional 500,000 pupils in the most deprived areas by the IDACI score not on FSM

Some underlying datasets used to form the indicators option presented in this document are available in two formats: one based upon children aged under 16, and one based on all children. The distinction comes from over 15s whose families are eligible to claim Child Benefits. Where possible the under 16 measure would be used when data becomes available.

(ii) High Cost pupils

9. We are proposing the same methodology for allocating resources for high cost pupils as the proposed approach to calculating AEN, namely:

1. calculating the national number of high cost pupils;
2. calculating the number of episodes of each need type nationally;
3. scaling the national figure back to the total national number of high cost pupils (as some pupils will have more than one need);
4. allocating these pupils to local authorities by assigning an appropriate distribution method for each need type; and
5. choosing which distribution indicator to use from the options available.

Calculating the number of high cost pupils

10. The main section above set out our proposal to define high cost pupils by means of a financial threshold, set at £6,218. This means that all pupils, in mainstream settings, whose costs are above this amount are deemed to be high cost. This would include some pupils who are classified for SEN purposes as school action and school action plus as well as those who have statements.

11. To arrive at an estimate of the number of high cost pupils in mainstream schools nationally we have used figures from the PwC schools survey of the proportion of each SEN provision group that are considered to be high cost. PwC weights are based on 2008 census data. Using 2009 data gives the following weights:

Statemented	65.66%
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School action plus	4.34%
School action	0.70%
No SEN provision	0.01%

12. The methodology used by PwC takes published statistics on Special Education Needs as a pupil basis which have a different coverage to those that are funded through the DSG. The table below derives the number of pupils deemed to be high cost.

	(a) Primary SEN Pupils	(b) Secondary SEN Pupils	(c) Proportion HCP	(a x c) Primary HCP Pupils	(b x c) Secondary HCP Pupils
No SEN	3,273,880	2,492,840	0.01%	327	249
SA	481,840	398,500	0.70%	3,373	2,790
SA+	261,260	192,300	4.34%	11,339	8,346
Statement	57,910	62,440	65.66%	38,024	40,998
Total	4,074,890	3,146,080		53,063	52,383

13. For each phase, the proportion of pupils that are high cost is found to be 1.3 per cent and 1.7 per cent respectively. Funded pupils within the DSG are used to derive the number of HCPs in mainstream settings.

	Total FTEs	Proportion HCP	HCP FTEs
DSG Primary Pupils	3,862,961	1.3%	50,303
DSG Secondary Pupils	2,853,408	1.7%	47,510
Total HCPs			97,813

14. In addition we need to include pupils in non-mainstream settings which cover the following:

Maintained, non maintained and independent special provision	87,373
PRUs	24,795
Academies (individually assigned resources)	1,285
Not in school	6,333

Our estimate for 2009 is that there are 217,599 high cost pupils in total of which 97,813 are in mainstream primary and secondary schools and 119,786 are funded in other settings.

Calculating the number of episodes of each need type nationally

15. The table below, which is taken from the PwC survey, sets out the incidence of each need type for high cost pupils in mainstream settings.

Single or Multiple Need	Incidence
Behavioural, Emotional and Social Interaction	47%
Home Environment	35%
Cognition and Learning	59%
Communication and Interaction	53%
Sensory and Physical	28%
English as an Additional Language	7%
Other	29%

16. To calculate the national number of each need type for high cost pupils in mainstream settings we have multiplied the above incidence by the total number of high cost pupils in such settings, namely 97,813. Not unexpectedly the HCP block is showing a much higher incidence than in the AEN survey of cognition and learning, communication and interaction and sensory and physical needs, as these are particularly likely to be high cost.

Scaling back

17. As with the AEN calculation this will result in more episodes than relevant pupils (as many pupils will have more than one need type) and the total has been scaled back to the HCP total.

	Unscaled	Scaled
Behavioural, Emotional and Social Interaction	45,972	17,819
Home Environment	34,234	13,269
Cognition and Learning	57,709	22,368
Communication and Interaction	51,841	20,093
Sensory and Physical	27,388	10,615
English as an Additional Language	6,847	2,654
Other	28,366	10,994
Total	252,357	97,813

Non-mainstream settings

18. We know that there are 119,786 pupils in non mainstream settings overall but are not able to use the PwC survey to allocate them across the particular AEN need types as the survey only covered mainstream settings. We have therefore tried to map the standard SEN categories across to the AEN need types. This has enabled a need profile to be derived for pupils in maintained special, non-maintained special and general hospital schools:

PwC AEN Categories	SEN Categories	Per pupil
Behavioural, Emotional and Social Interaction	Behaviour, Emotional & Social Difficulties	0.148
Home Environment	N/A	
Cognition and Learning	Specific Learning Difficulty	0.553
	Moderate Learning Difficulty	
	Severe Learning Difficulty	
	Profound & Multiple Learning Difficulty	
Communication and Interaction	Speech, Language and Communications Needs	0.217
	Autistic Spectrum Disorder	
Sensory and Physical	Hearing Impairment	0.075
	Visual Impairment	
	Multi- Sensory Impairment	
	Physical Disability	
English as an Additional Language	N/A	
Other	Other Difficulty/Disability	0.006

19. The number of episodes of each need type is then obtained by multiplying the overall number of pupils for each non mainstream school setting by the above profile. However, we consider that:

- the most important need type for PRUs is BESE and have therefore allocated all PRU pupils to that category;
- that pupils in the Not in School category should be in the 'Other' category; and
- that pupils with individually assigned resources in Academies should follow the same profile as those of maintained mainstream settings.

	PRUs	Not In School	Academies	Maintained Special, NMSS, GHS, Other Ind
Behavioural, Emotional and Social Interaction	24,795		234	12,956
Home Environment			174	
Cognition and Learning			294	48,310
Communication and Interaction			264	18,983
Sensory and Physical			139	6,556
English as an Additional Language			35	
Other		6,333	144	568
	24,795	6,333	1,285	87,373

20. Putting the mainstream and non mainstream pupils together we have the following scaled total:

All HCP Pupils By Need Type	
Behavioural, Emotional and Social Interaction	55,804
Home Environment	13,443
Cognition and Learning	70,972
Communication and Interaction	39,341
Sensory and Physical	17,311
English as an Additional Language	2,689
Other	18,039
Total	217,599

Assigning an appropriate distribution method for each need type

21. We have linked the above need types to what we consider the most appropriate distribution methods. As chapter 4 explains, our evidence suggests that there is little association between most of the need types and deprivation and so there is less reliance on deprivation measures in our proposed distribution methodology than for AEN. As the incidence of high cost AEN is more randomly occurring, a large proportion of the distribution for BESI, CI and SP is assumed to be by a flat rate. The proportion of children eligible for Disability Living Allowance has been included for sensory and physical as there is some evidence, recently published, to support this.

AEN Type	HCP	Need incidence
Behavioural, Emotional and Social	25% Deprivation 75% Flat rate per pupil	26%
Home Environment	100% Deprivation	6%
Cognition and Learning	100% by Not Achieving More than Level 2 at Key Stage 2	33%
Communication and Interaction	90% Flat Rate Per Pupil; 10% Deprivation	18%
Sensory and Physical	80% Flat Rate Per Pupil 20% DLA	8%
English as an Additional Language	English as an Additional Language	1%
Other	Flat Rate Per Pupil	8%

Choosing which distribution indicator to use

22. The main issue which would affect the distribution of funding for high cost pupils relates to which deprivation indicator to use. The options are set out in chapter 4. We propose to use the same deprivation indicator as that to be used for the AEN allocation.

(iii) Area Cost Adjustment

Hybrid option

Calculating the direct financial cost of teachers

23. The process involves deriving an index of the direct financial cost of each group of teaching staff which for this purpose includes full time (equivalent) classroom teachers, full time leadership staff, full time Advanced Skills Teachers, FTE unattached and unqualified teachers. Leadership staff for this purpose covers headteachers, assistant head teachers, deputy head teachers and other leadership staff. In order to be consistent with the principle of authorities not affecting the ACA through their own actions, we

need to use a national index – based on the proportion of teaching staff across the different points on the pay band spines (for example for classroom teachers the proportions for England of teachers across the M1-U3 pay spines).

24. A weighted average cost per teacher is derived using the proportions identified above multiplied by salary for the teachers across the pay band spines. So for example if 10 per cent of classroom teachers are on the M1 payscale and the salary for the M1 classroom teachers is £25,000, then the weighted average cost per FTE classroom teacher is £2,500. The same approach is followed for each group of teachers and an overall index is determined by calculating an average weighting for all of the groups based on the number of teachers in each group.

Calculating the split of costs

25. Also important to this calculation is how to derive the weightings to be applied to the different costs. The ACA will only apply to costs associated with staffing. We have calculated the split between schools’ expenditure on teachers’ pay to other pay to be 68:32, which corresponds to a split between teachers’ pay/other pay/non-pay of 56:26:18.
26. This split was calculated using 2007-08 Section 52 outturn data. Expenditure was divided into four categories; the three in the split and amounts to be ignored for the purpose of this calculation, because they are not funded from the DSG. The table below shows the total amounts calculated.

	Total Cost (£m)	Pay Split	Total Split
Teachers’ Pay	18,427.442	68.31%	56.03%
Other Pay	8,547.613	31.69%	25.99%
Non-Pay	5,914.915		17.98%
Ignore	117.472		

27. We have used Section 52 outturn data to calculate the split, applying the following assumptions:
- teaching staff (E01) is all teachers’ pay, except for teaching staff allowances (calculated by PwC to be £235m) which is other pay.
 - supply teaching staff (E02) and agency supply teaching staff (E26) are all teachers’ pay.
 - cost of recruiting teachers (additional line) is other pay, this was calculated to be £67m by PwC.
 - education support staff (E03), premises staff (E04), admin staff (E05), catering staff (E06), other staff (E07) and development and training (E09) are other pay.
 - indirect employee Expenses (E08), supply teacher insurance (E10) and staff related insurance (E11) were split proportionally between teachers’ pay and other pay. This split was calculated to be 68:32.

- it was assumed that building maintenance (E12), grounds maintenance (E13), cleaning and caretaking (E14) and bought-in professional services curriculum/other (E27/E28) would be split between other pay and non-pay. In order to calculate the split we looked at the accounts of a selection of companies that are contracted by local authorities to perform these services (following some similar work by CLG), and calculated that the appropriate splits between other pay and non-pay for these five lines were 15:85, 15:85, 65:35, 40:60 and 40:60 respectively.
- water and sewerage (E15), energy (E16), rates (E17), other occupation costs (E18), learning resources (E19), ICT learning resources (E20), examination fees (E21), admin supplies (E22), other insurance premiums (E23), special facilities (E24), catering supplies (E25) & loan interest (E29) were all non-pay.
- Community focused extended school staff/costs (E31/E32) were ignored on the basis that they are not to be funded from the Schools Budget.

Regional Variations within rates expenditure

28. The expenditure on rates (E17) was explored to see if there was any regional variation. In order to investigate this we took the 2007-08 section 52 outturn data at local authority level and aggregated it up to a regional level. We then divided the expenditure on rates by the number of DSG funded pupils in 2007-08 to get the expenditure per pupil by region. The results are shown in the table below. The highest expenditure is in Outer London, the lowest is in the North West.

Region	Expenditure on Rates per Pupil (£)	Standardised Ratio	Difference from National Average
Inner London	49.03	1.20	0.1%
Outer London	56.09	1.37	14.5%
South East	53.88	1.32	10.0%
South West	47.59	1.17	-2.9%
East of England	48.52	1.19	-1.0%
East Midlands	47.65	1.17	-2.7%
West Midlands	47.81	1.17	-2.4%
North East	48.16	1.18	-1.7%
North West	40.84	1.00	-16.6%
Yorkshire and the Humber	50.75	1.24	3.6%
National Average	49.00	1.20	0%

29. These figures show that there is some regional variation but it is not systematic – the figure for Inner London is lower than for Yorkshire and the Humber. Figures for individual authorities within the regions are also variable, and will be influenced by the proportion of aided and foundation schools, which receive rate relief, in each area. Given this outcome, and the relatively small amount of expenditure represented by rates within the DSG, we do not intend to pursue further the idea of a separate ACA factor for rates.

Current ACA geographies

30. London (excluding City of London) is currently split into three regions in the Department for Communities and Local Government ACA model as described below:

Inner	Outer – West	Outer – Rest
Camden	Barnet	Barking & Dagenham
Greenwich	Brent	Bexley
Hackney	Ealing	Bromley
Hammersmith	Harrow	Croydon
Islington	Hillingdon	Enfield
Kensington & Chelsea	Hounslow	Haringey
Lambeth	Kingston	Havering
Lewisham	Merton	Newham
Southwark	Richmond	Redbridge
Tower Hamlets	Sutton	Waltham Forest
Wandsworth		
Westminster		

City of London is a separate ACA area.

Current London Teacher Pay Band areas are as follows:

Inner	Outer
Barking & Dagenham	Barnet
Brent	Bexley
Camden	Bromley
City of London	Croydon
Ealing	Enfield
Greenwich	Harrow
Hackney	Havering
Hammersmith	Hillingdon
Haringey	Hounslow
Islington	Kingston
Kensington & Chelsea	Redbridge
Lambeth	Richmond
Lewisham	Sutton
Merton	Waltham Forest
Newham	
Southwark	
Tower Hamlets	
Wandsworth	
Westminster	

- 31.** Beyond the Outer London pay band there is the 'Fringe' pay band area which comprises:
- Unitary authorities of Bracknell Forest, Slough and Windsor and Maidenhead in Berkshire;
 - Districts of South Buckinghamshire and Chiltern in Buckinghamshire;
 - Districts of Basildon, Brentwood, Epping Forest, Harlow and the unitary authority of Thurrock in Essex;
 - Districts of Broxbourne, Dacorum, East Hertfordshire, Hertsmere, St Albans, Three Rivers, Watford and Welwyn Hatfield in Hertfordshire;
 - Districts of Dartford and Sevenoaks in Kent;
 - County of Surrey
 - District of Crawley in West Sussex
- 32.** CLG reflect the fringe geographies in the 49 England ACA areas. Outside of the fringe pay band, the rest of the country has a single pay band.

Annex C: Charts

Chart 1: Percentage of Reception to Year 11 pupils in families on Out of Work Tax Credits. This data is calculated for each educating local authority using 2005 tax credit data matched to the January 2009 school census

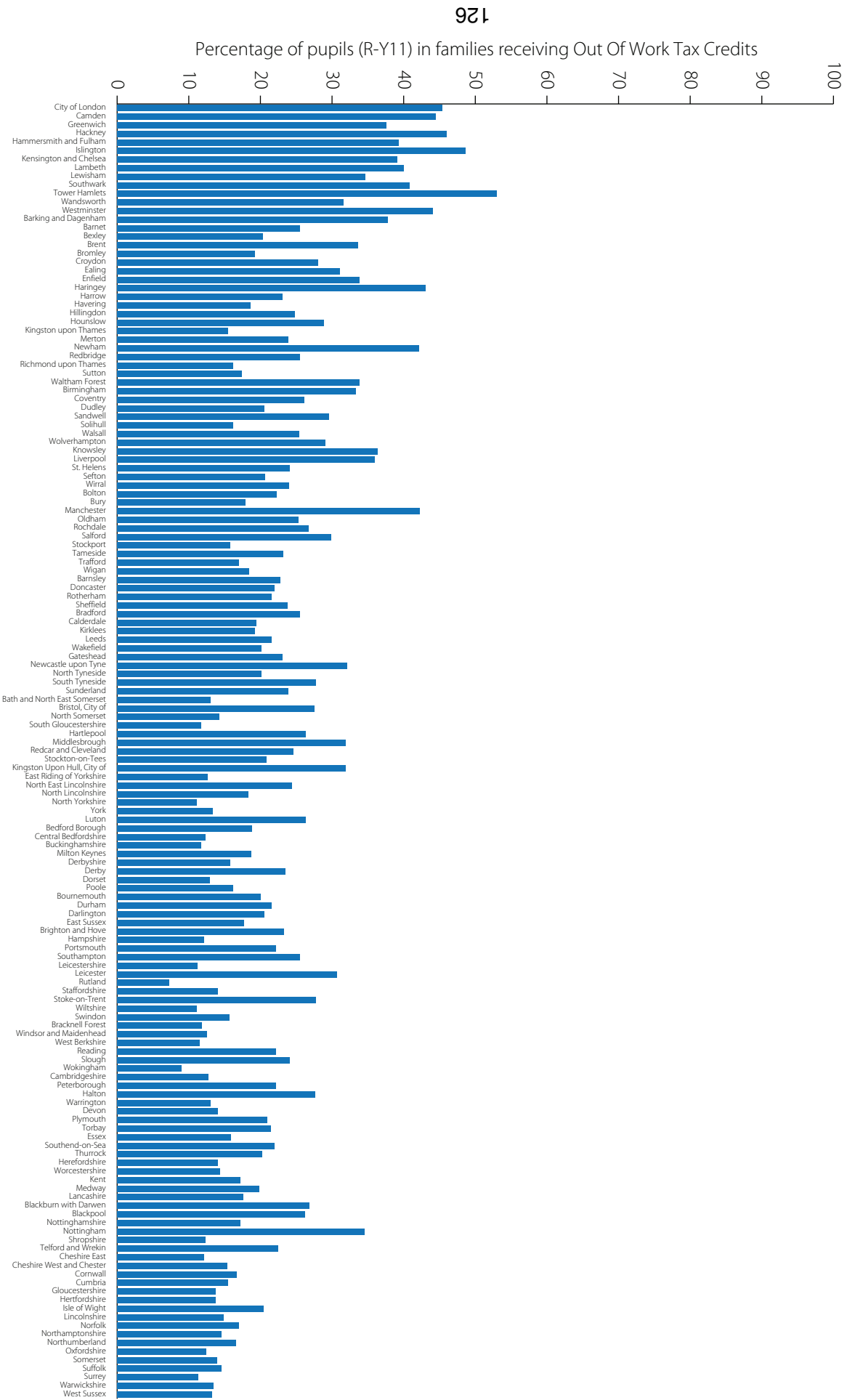
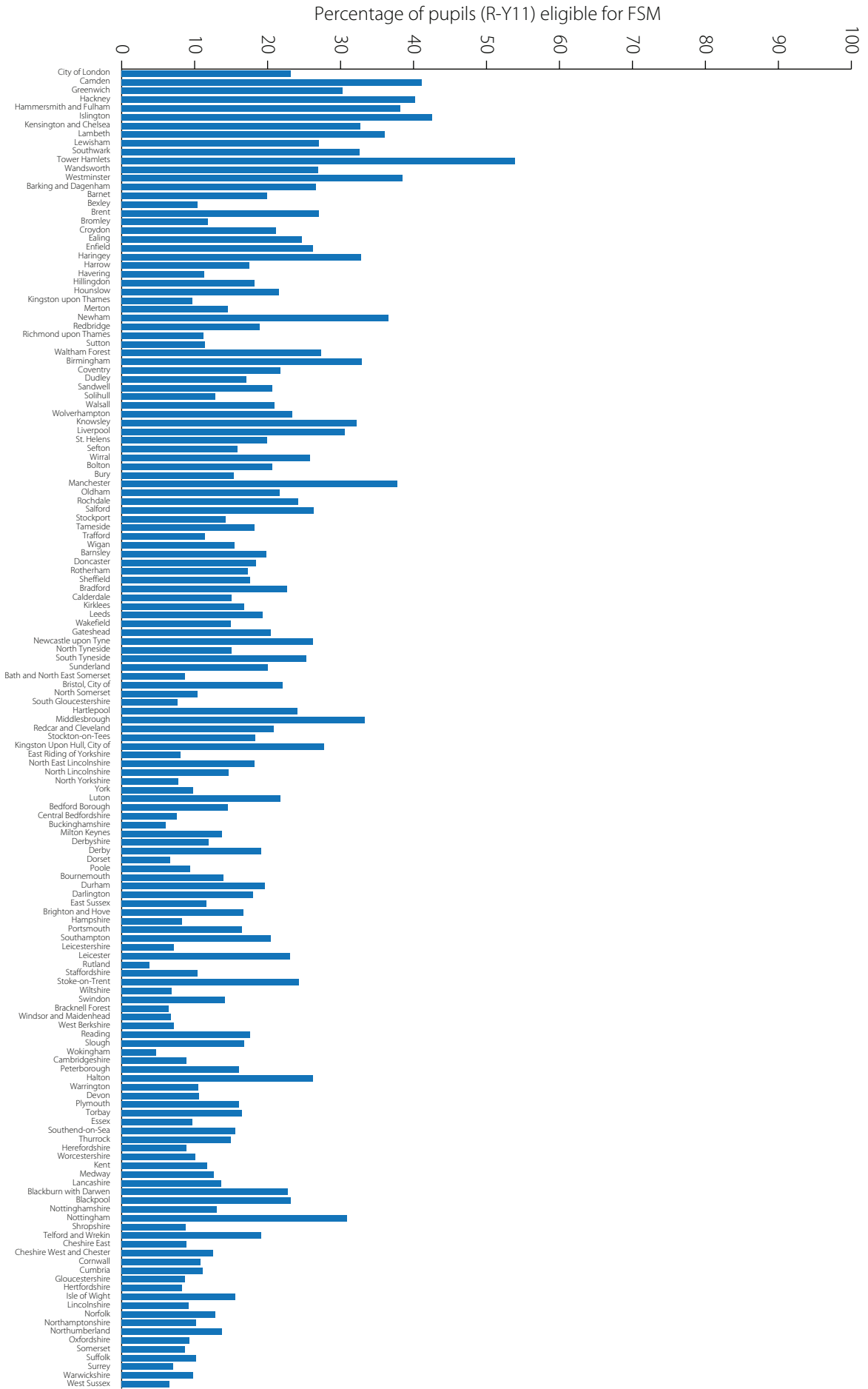


Chart 2: Percentage of Reception to Year 11 pupils known to be eligible for Free School Meals at educating local authority level using January 2009 school census data



Percentage of pupils in Poverty

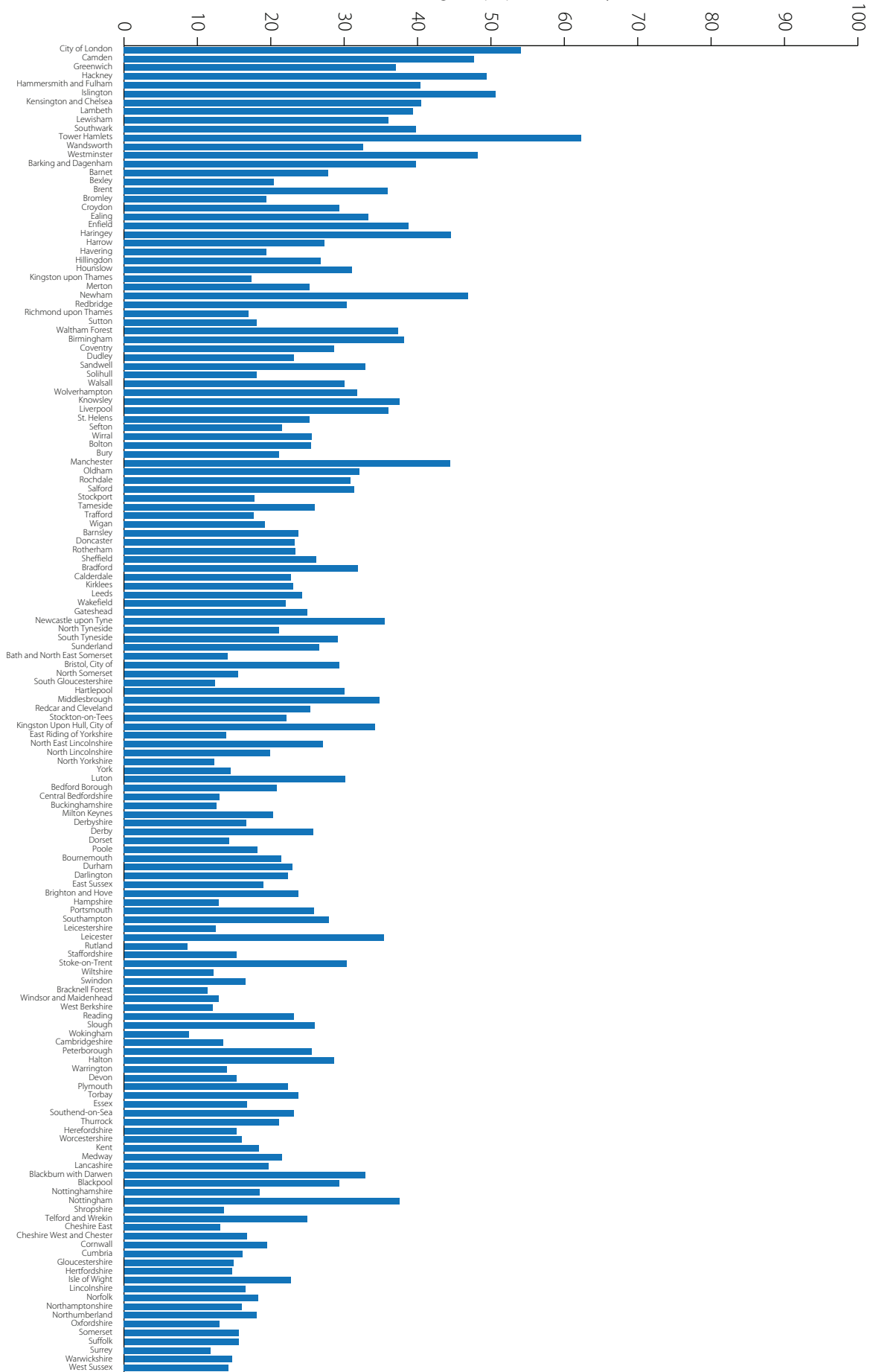


Chart 3: Percentage of Reception to Year 11 pupils deemed to be in poverty as defined by the Child Poverty Unit's under 16 measure and calculated at the educating local authority level using January 2009 school census data

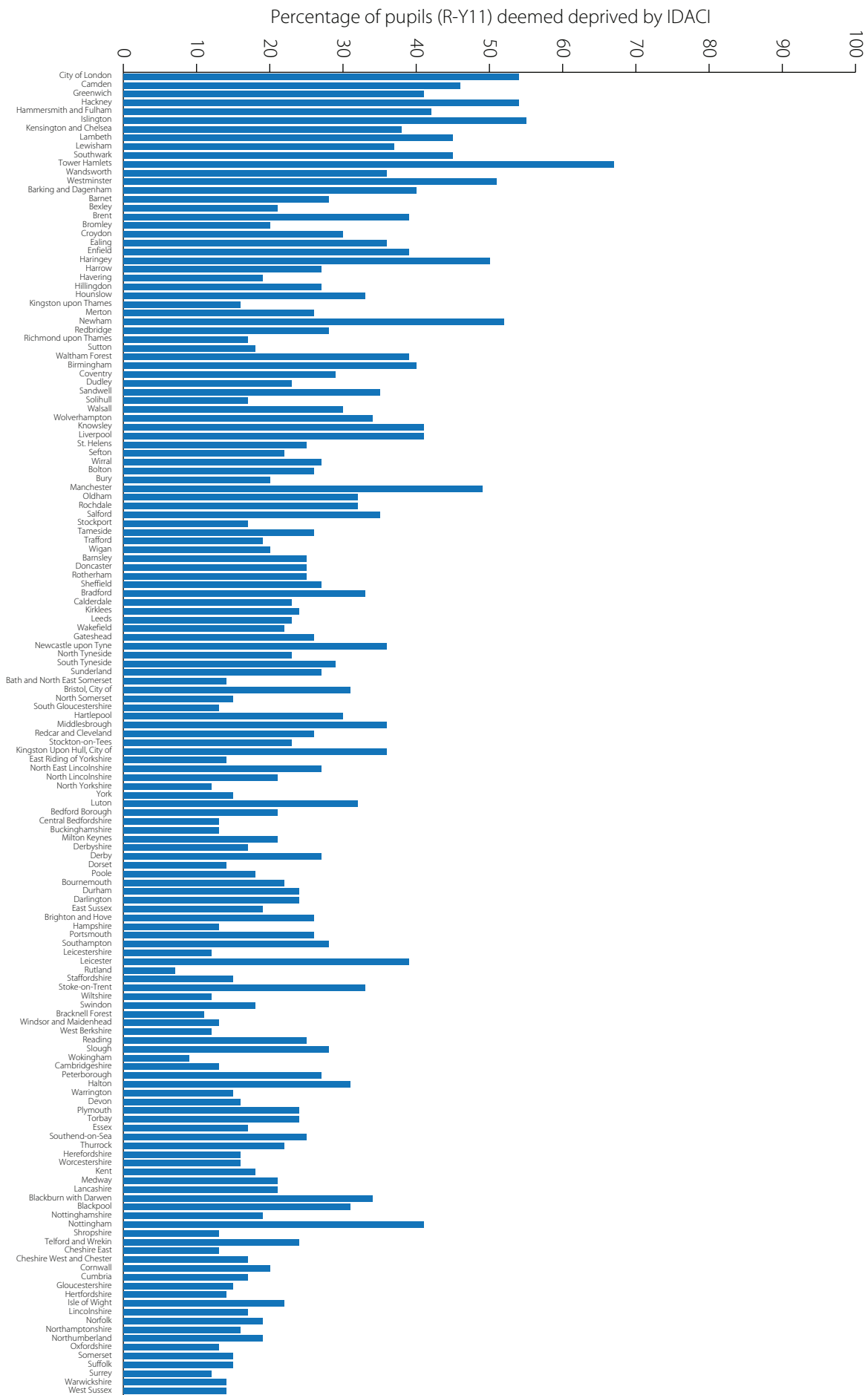


Chart 4: The percentage of pupils deemed to be deprived by calculating the mean IDACI (2007) score of Reception to Year 11 pupils matched to the January 2009 school census at educating local authority level

Percentage of pupils (R-Y11) eligible for FSM with an additional 500,000 pupils with the lowest IDACI scores

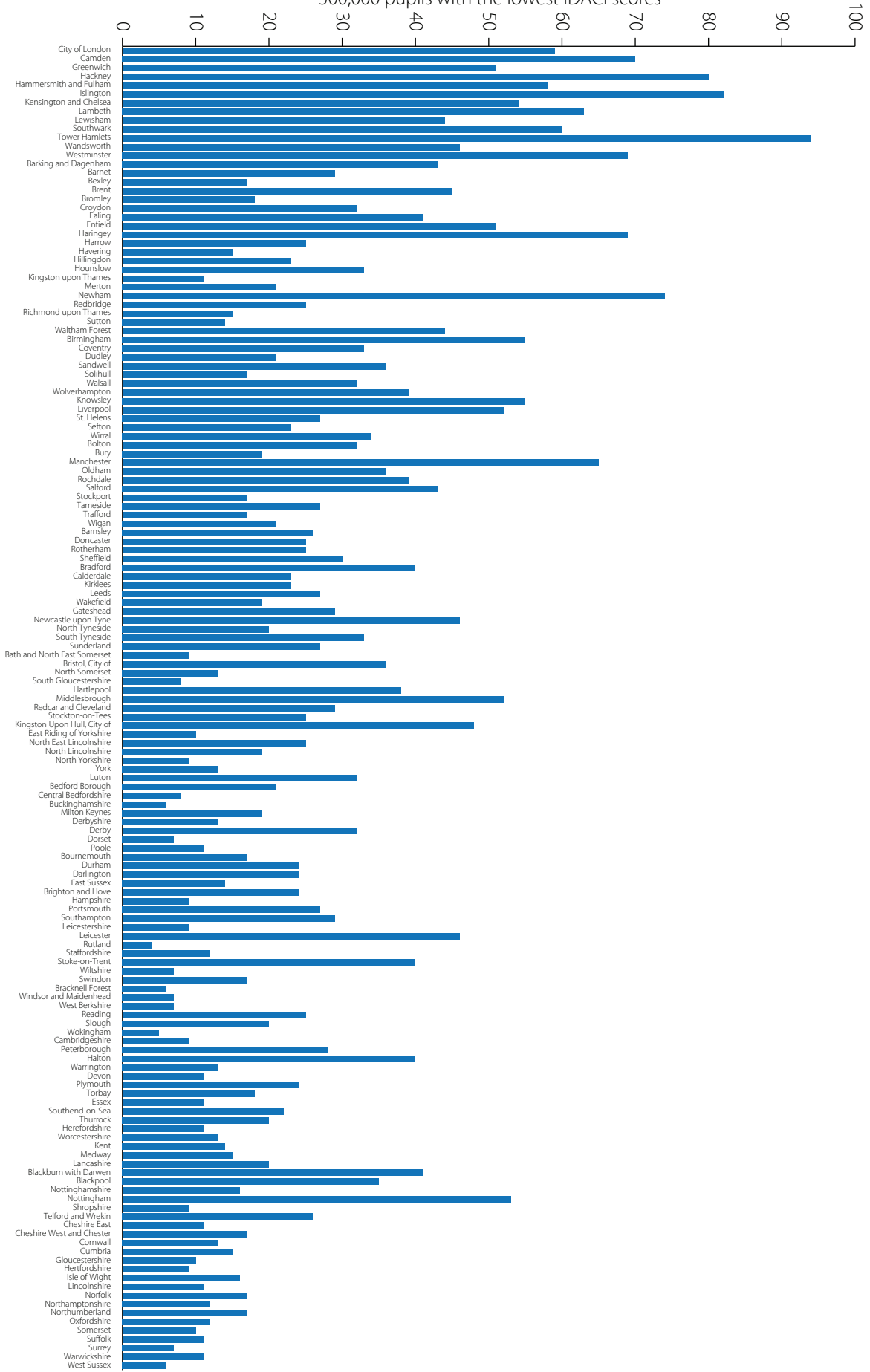
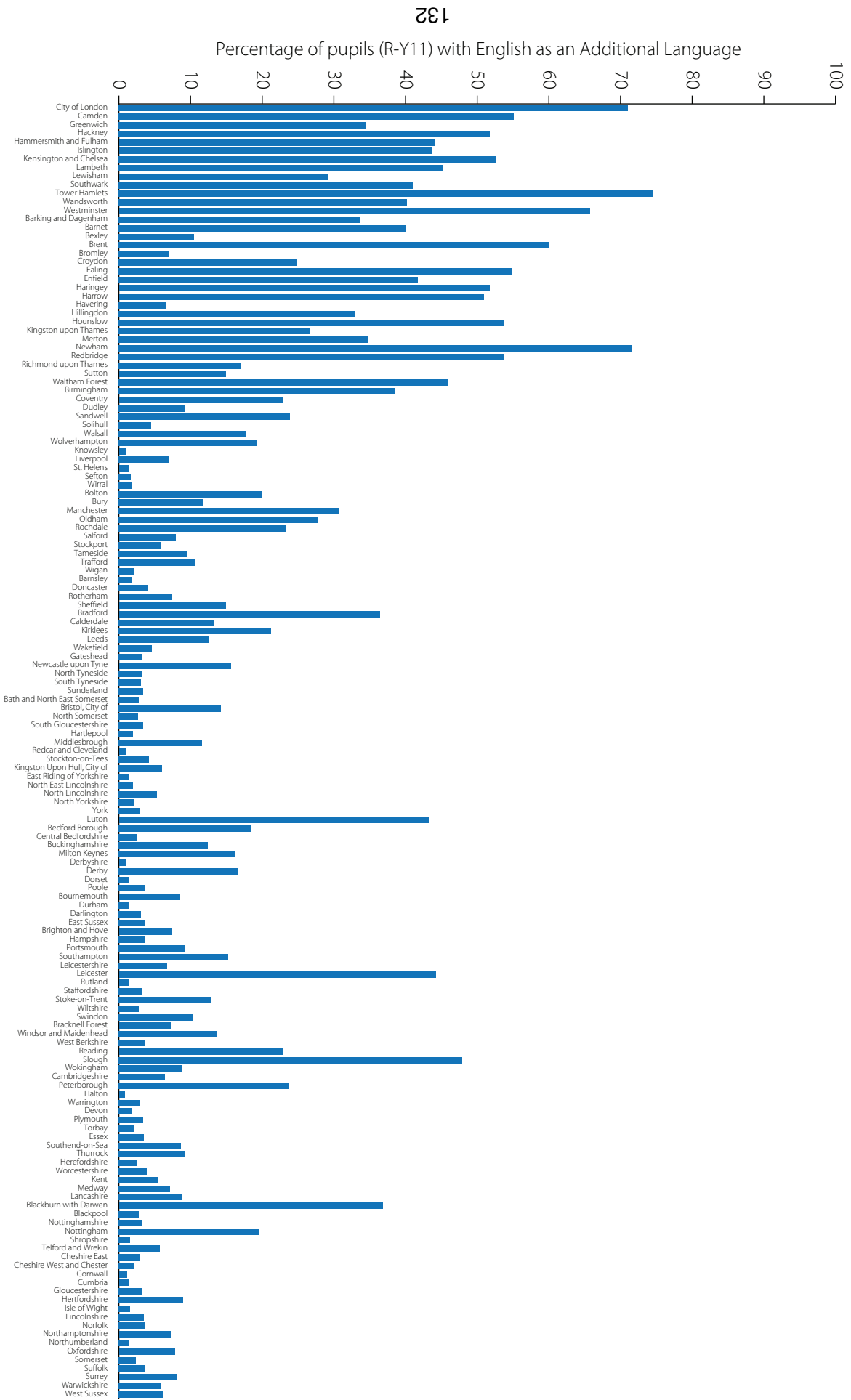


Chart 5: Percentage of Reception to Year 11 pupils known to be eligible for Free School Meals with an additional ~500,000 pupils from the most deprived LSOAs who are not eligible for FSM. This data is presented for the educating authority based upon IDACI (2007) data matched to the January 2009 school census

Chart 7: Percentage of Reception to Year 11 pupils with English as an Additional Language at educating local authority level using data from January 2009 school census



Percentage of pupils achieving no higher than Level 2 in Maths and English at Key Stage 2

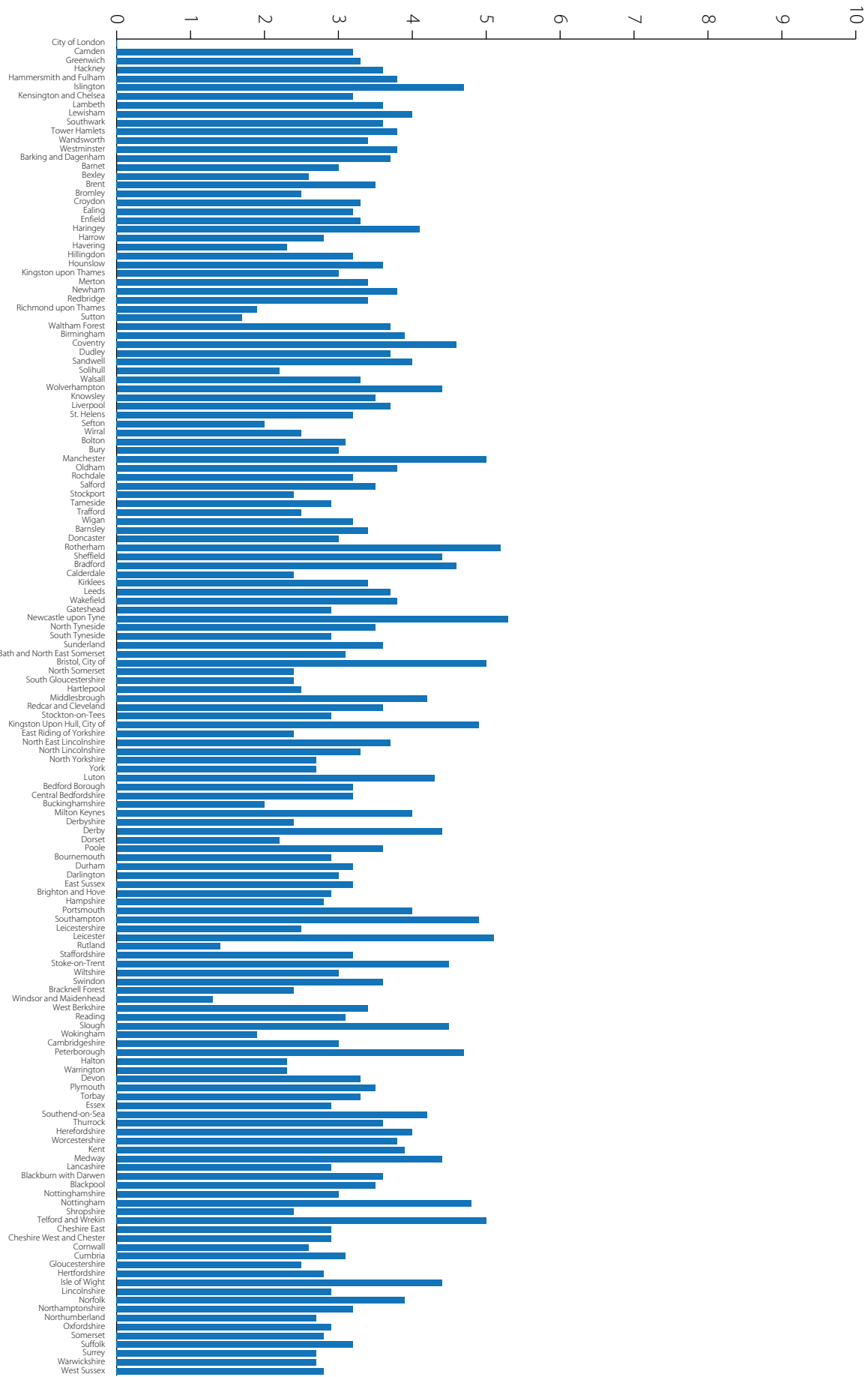


Chart 8: Percentage of pupils achieving no higher than Level 2 in Maths and Science at Key Stage 2 calculated at educating local authority level using final Key Stage 2 data from 2008

Percentage of pupils (Under 16) in receipt of Disabled Living Allowance

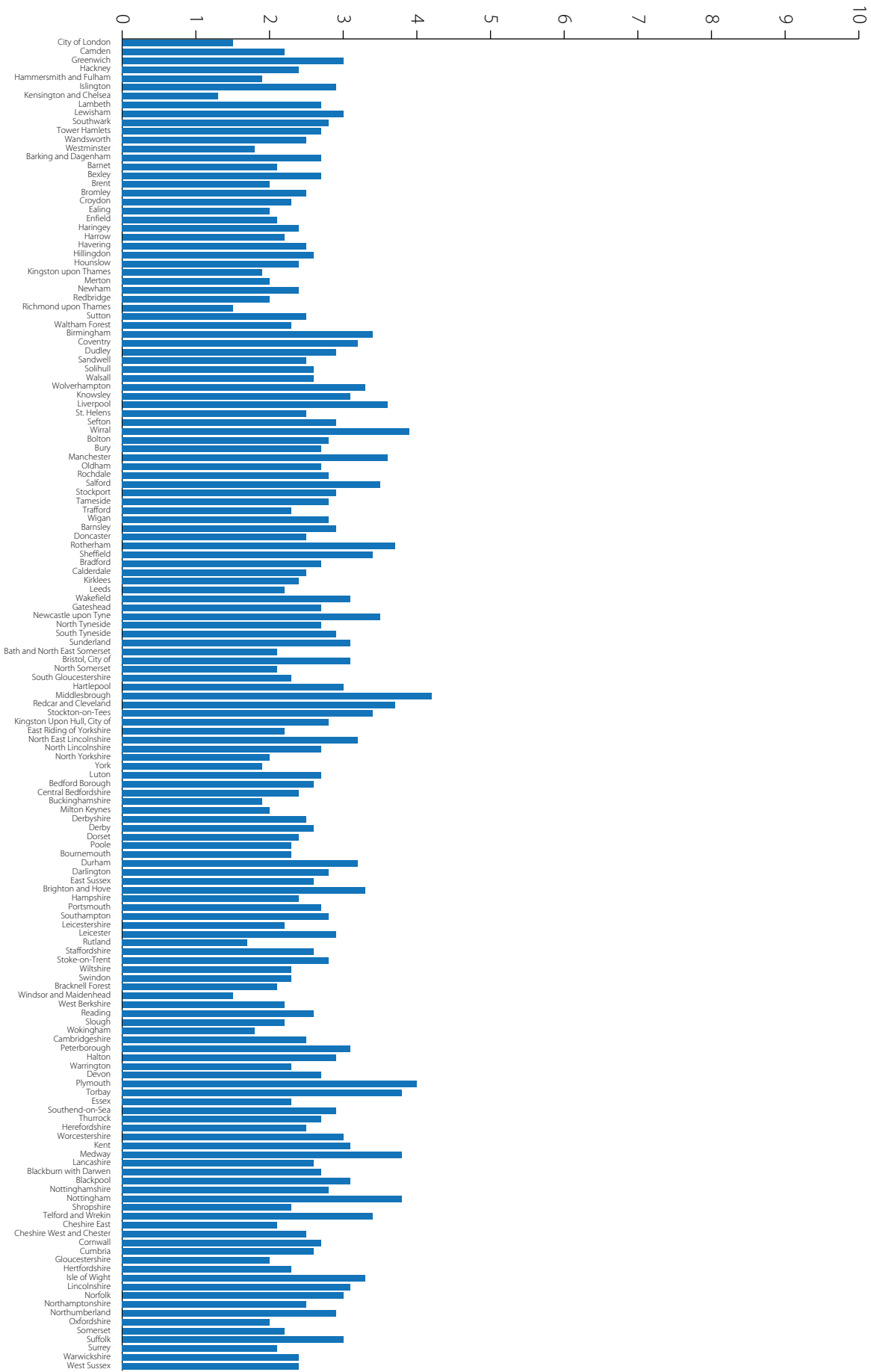


Chart 9: Percentage of under 16s in receipt of Disabled Living Allowance using a 3 year average of 2006, 2007 and 2008 Department for Work and Pensions data (accessed via Neighbourhood Statistics)

Sparsity – MSOA – Average 2007-2009 School Census and EYC

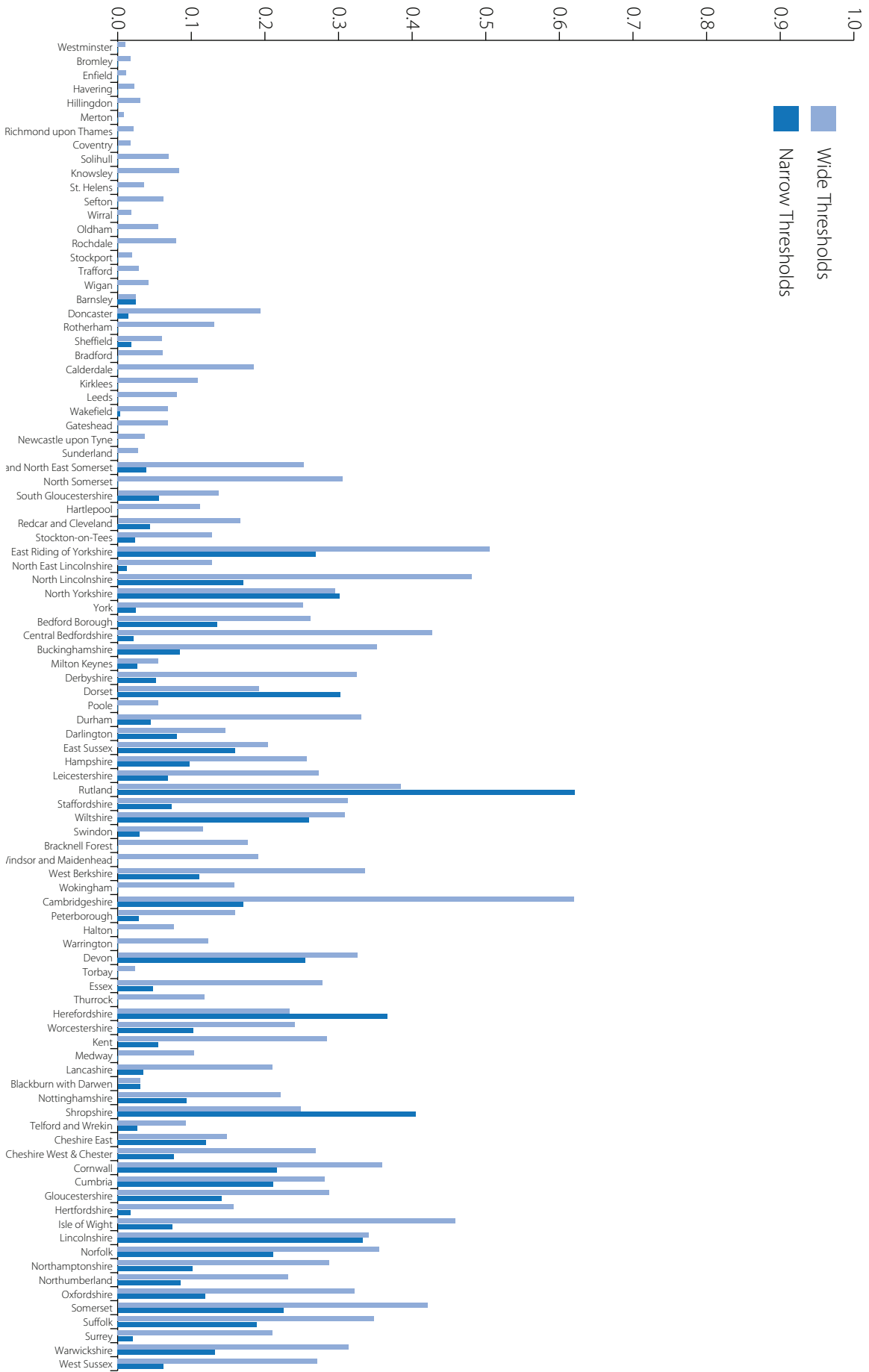


Chart 10: The sparsity measure for each local authority with a non-zero Sparsity Index. This measure is calculated at MSOA level using an average of 2007-2009 school and early years censuses for 3 to 10 years olds. The wide and narrow threshold options are shown

Super-sparsity – MSOA – Average 2007-2009 School Census and EYC

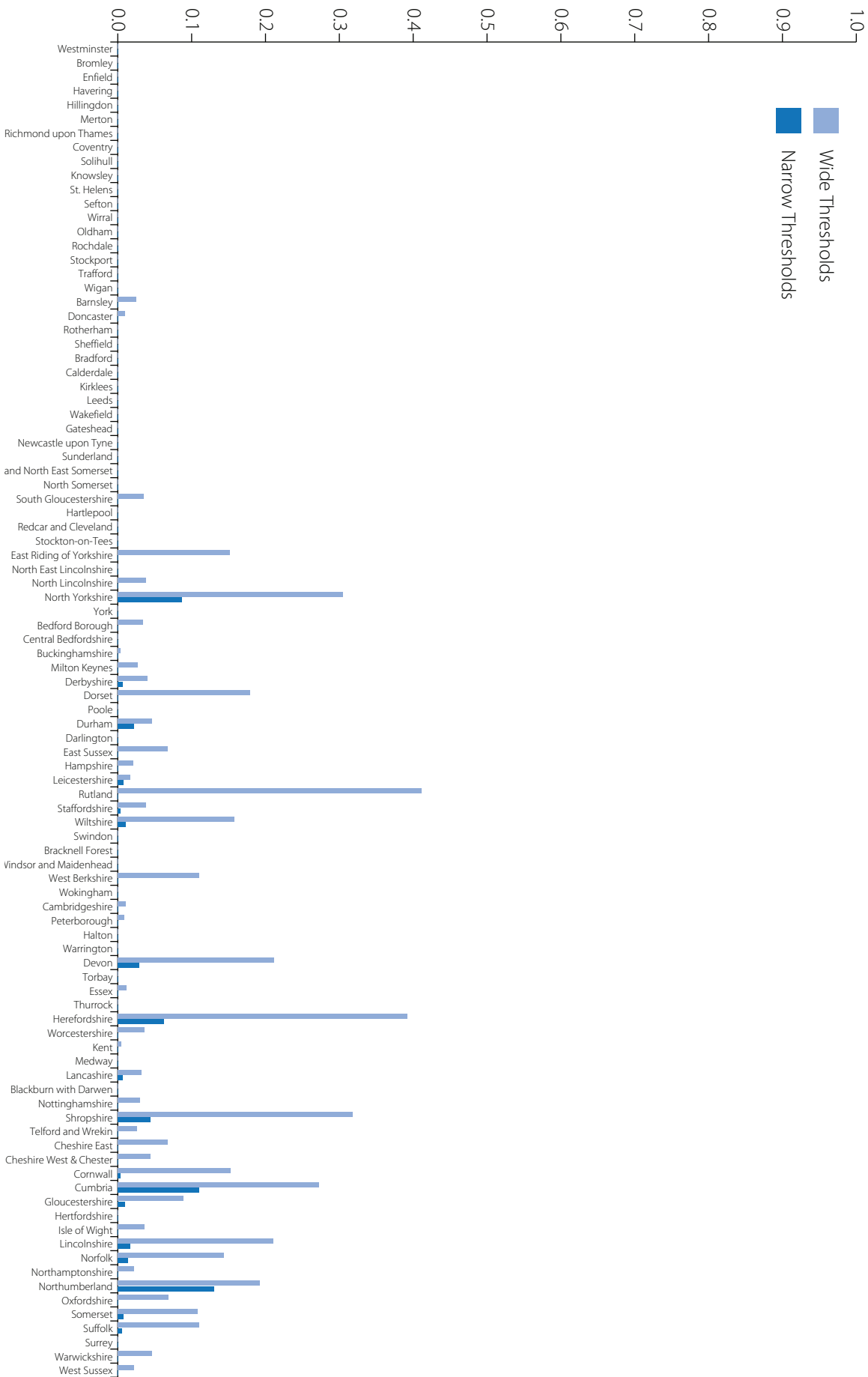


Chart 1.1: The super-sparsity measure for each local authority with a non-zero Sparsity Index. This measure is calculated at MSOA level using an average of 2007-2009 school and early years censuses for 3 to 10 years olds. The wide and narrow threshold options are shown

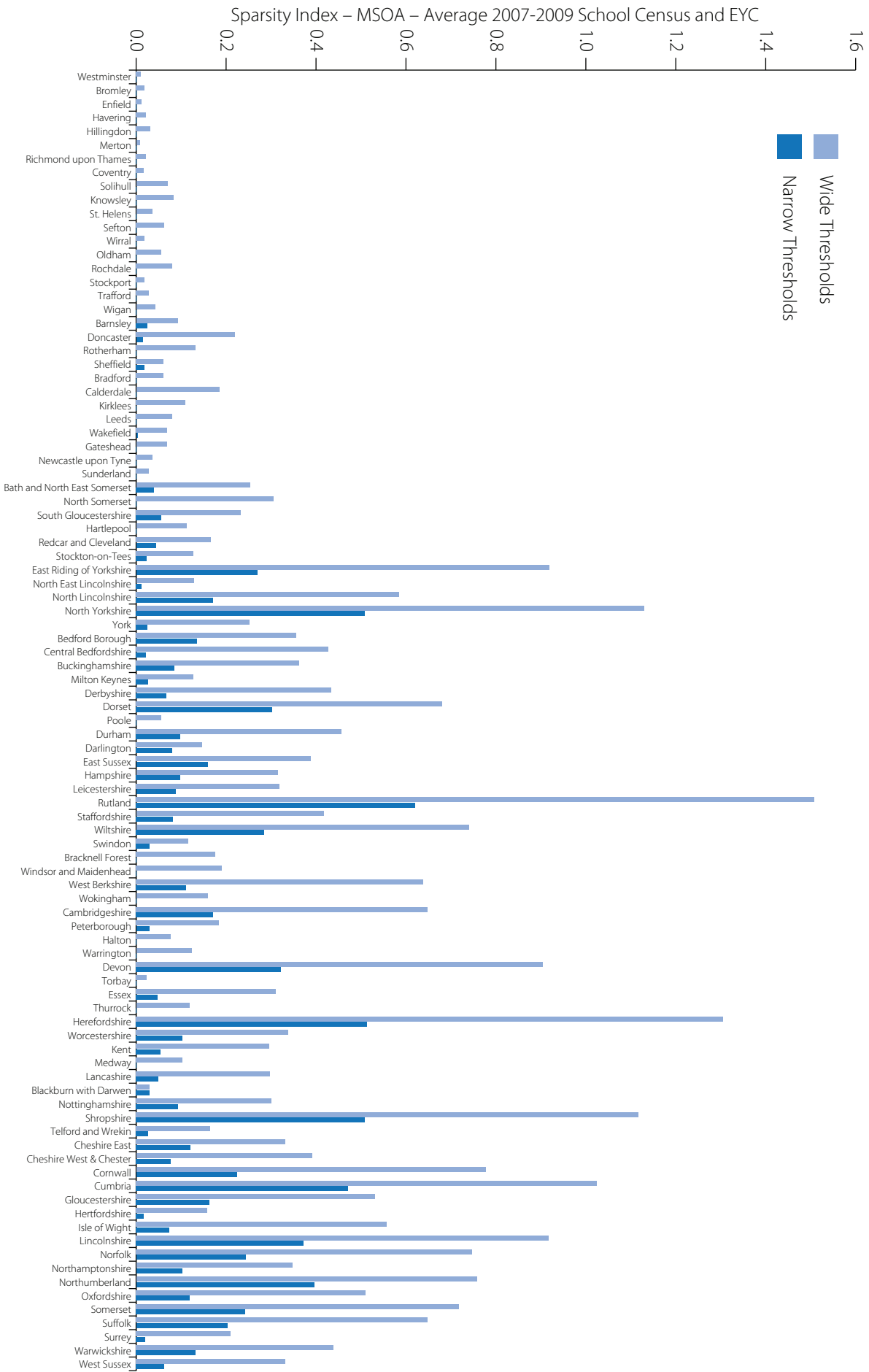


Chart 12: The combined Sparsity Index. This measure is calculated at MSOA level using an average of 2007-2009 school and early years censuses for 3 to 10 years olds. The wide and narrow threshold options are shown

General Labour Market Area Cost Adjustment

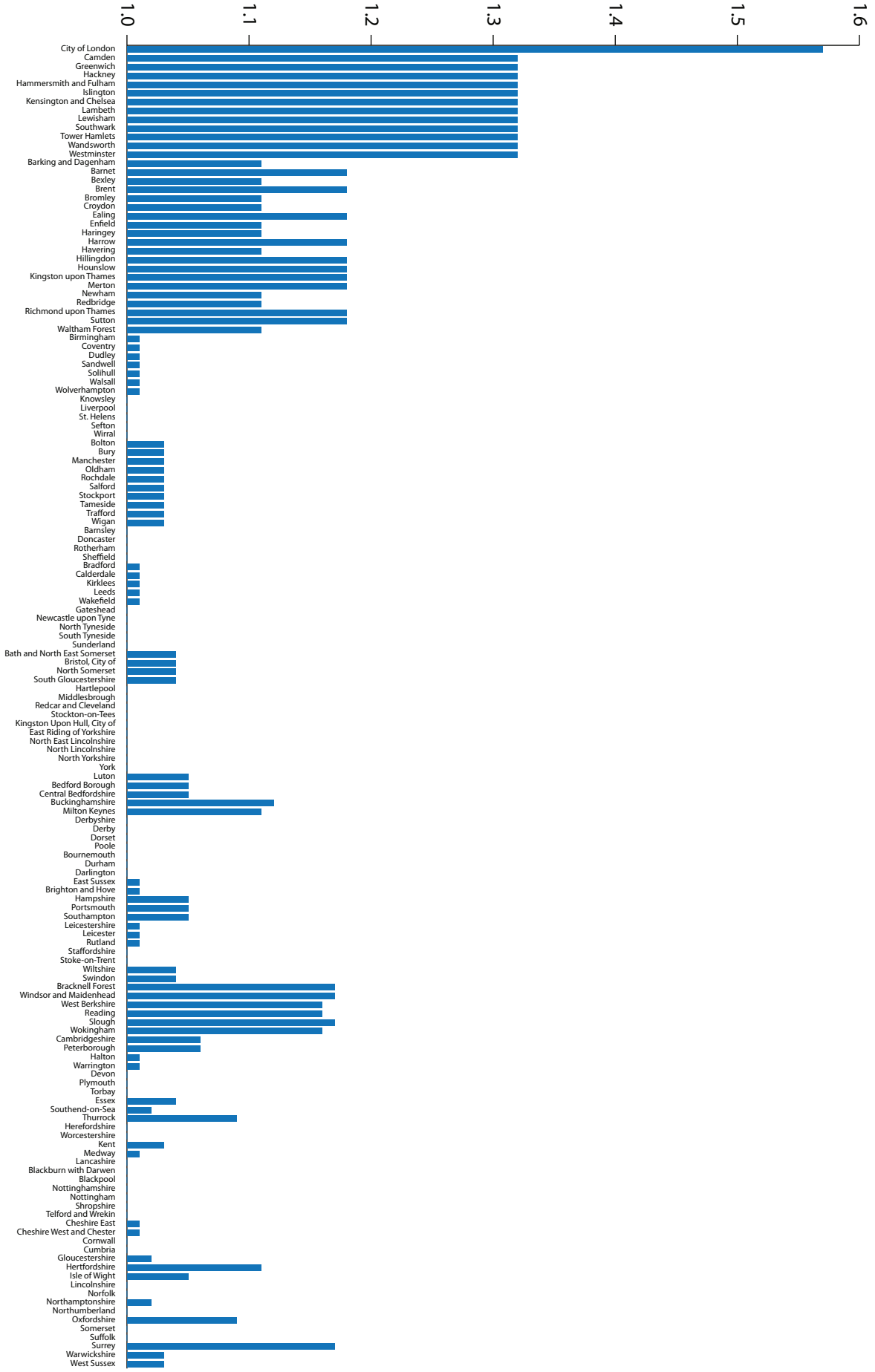


Chart 13: The General Labour Market Area Cost Adjustment index for each local authority

Hybrid Area Cost Adjustment

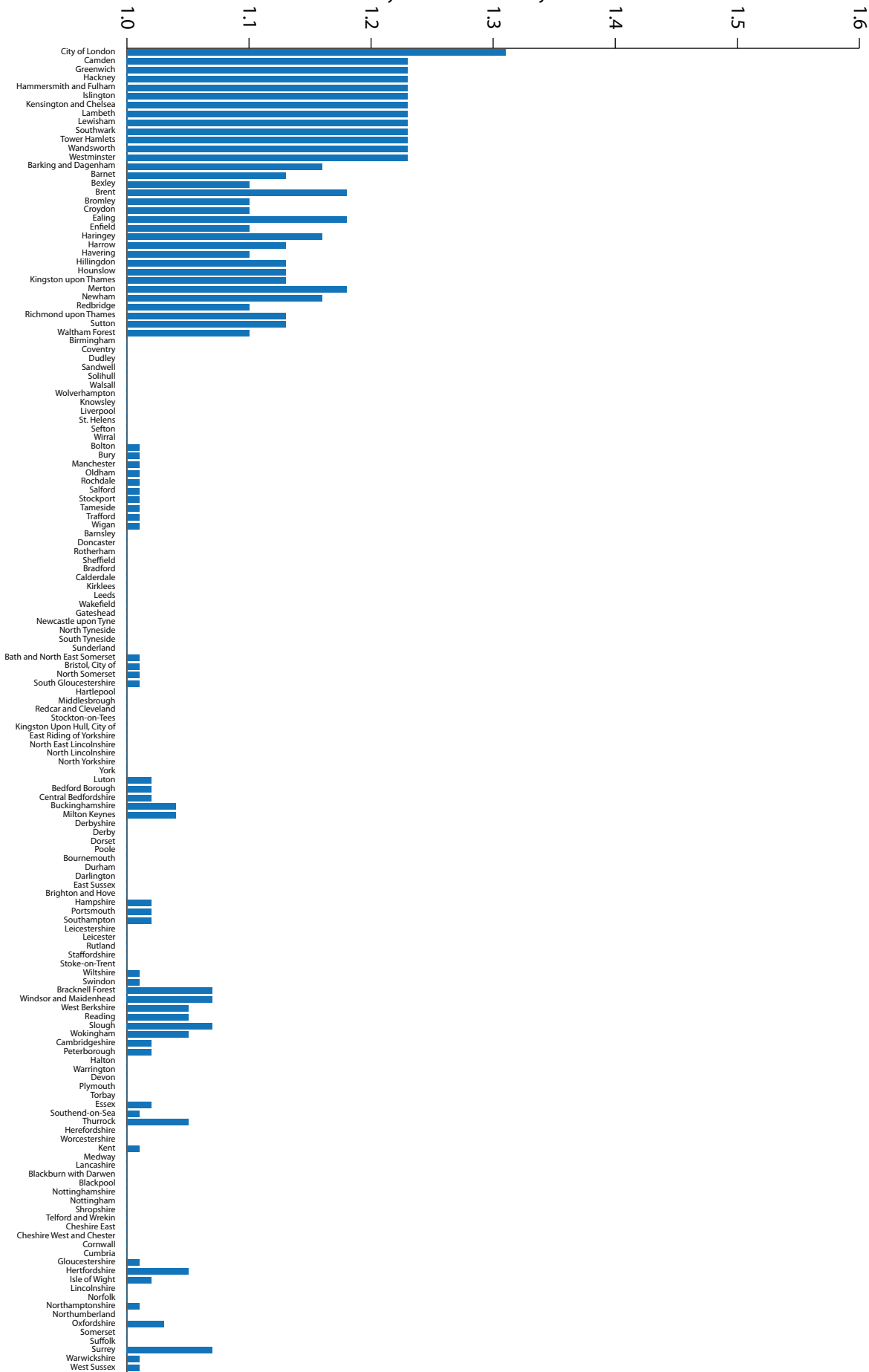


Chart 14: The Hybrid Area Cost Adjustment index for each local authority

Annex D: Consultation Questions

Questions

Chapter 1

1. Do you agree with the principles we are applying to the formula?
2. Do you agree with the proposals to mainstream the grants specified into DSG?
3. Do you agree with the proposed elements of the formula?

Chapter 2

4. Which methodology for calculating the basic entitlement do you consider would enable the fairest and most practical distribution of funding?

Chapter 3

5. Do you agree with the proposed methodology for distributing money for additional educational needs?
6. Which is your preferred indicator for distributing money via deprivation? Why?
7. Do you agree with the indicators, other than for deprivation, that we have proposed for each need?
8. Will the Local Pupil Premium mechanism help funding to be more responsive to changes in pupil characteristics?
9. Is it right that local authorities should each develop their own pupil premium mechanism?

Chapter 4

10. Do you agree with the methodology for distributing money for High Cost Pupils?

Chapter 5

11. Do you agree that the school census and Middle Super Output Area are the right data source and geography to use to assess the sparsity of an area?
12. Which method for calculating the sparsity factor do you think will best enable additional funding to reach those local authorities that need to maintain small schools – the broad or narrow option?
13. Do you agree that there should not be a secondary sparsity factor?

Chapter 6

14. Which is the fairest method of applying the Area Cost Adjustment?

Chapter 7

15. Do you support our plans for the transitional arrangements for mainstreaming grants?
16. Should floors be paid for by all local authorities or just the largest gaining authorities?
17. Do you have any suggestions as to how the Minimum Funding Guarantee could be improved?

Chapter 8

18. If a contingency arrangement for local authorities is to continue, funded from the DSG, what areas should it cover and what should the criteria be for triggering eligibility?
19. Do you support our proposals for Service children?

Annex E: Links to other useful documents

No	Item	Hyperlink
1	TeacherNet Review site	http://www.teachernet.gov.uk/management/schoolfunding/DSGformulareview/
2	Terms of Reference	http://www.teachernet.gov.uk/docbank/index.cfm?id=12419
3	Papers and Minutes	http://www.teachernet.gov.uk/management/schoolfunding/DSGformulareview/DSGreviewpapers/
4	PwC Research Reports	http://www.teachernet.gov.uk/docbank/index.cfm?id=14194
5	FRG Membership	http://www.teachernet.gov.uk/docbank/index.cfm?id=14625
6	EFSG Archive	http://www.dcsf.gov.uk/efsg/index.shtml
7	Dec. '09 PBR	http://www.hm-treasury.gov.uk/prebud_pbr09_repindex.htm
8	Special Educational Needs and Disability: Understanding Local Variation in Prevalence, Service Provision and Support.	http://www.dcsf.gov.uk/research/programmeofresearch/index.cfm?type=5&keywordlist1=0&keywordlist2=0&keywordlist3=0&andor=or&keyword=2007087&x=51&y=20



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The Future Distribution of School Funding

Consultation Response Form

The closing date for this consultation is:

7 June 2010

Your comments must reach us by that date.

THIS FORM IS NOT INTERACTIVE. If you wish to respond electronically please use the online response facility available on the Department for Children, Schools and Families e-consultation website (<http://www.dcsf.gov.uk/consultations>).

The information you provide in your response will be subject to the Freedom of Information Act 2000 and Environmental Information Regulations, which allow public access to information held by the Department. This does not necessarily mean that your response can be made available to the public as there are exemptions relating to information provided in confidence and information to which the Data Protection Act 1998 applies. You may request confidentiality by ticking the box provided, but you should note that neither this, nor an automatically-generated e-mail confidentiality statement, will necessarily exclude the public right of access.

Please tick if you want us to keep your response confidential.

Name

Organisation (if applicable)

Address:

If you have an enquiry related to the policy content of the consultation you can contact either

Juliet Yates on: Telephone: 020 7340 8313 e-mail: juliet.yates@dcsf.gsi.gov.uk, or

Ian McVicar on: Telephone: 020 7340 7980 e-mail: ian.mcvicar@dcsf.gsi.gov.uk

If your enquiry is related to the DCSF e-consultation website or the consultation process in general, you can contact the Consultation Unit by e-mail: consultation.unit@dcsf.gsi.gov.uk, by Fax: 01928 794 311, or by telephone: 0870 000 2288.

Please tick the box that best describes you as a respondent.

<input type="checkbox"/> School	<input type="checkbox"/> Schools Forum	<input type="checkbox"/> Governor Association
<input type="checkbox"/> Teacher	<input type="checkbox"/> Local Authority Group	<input type="checkbox"/> Individual Local Authority
<input type="checkbox"/> Teacher Association	<input type="checkbox"/> Other Trade Union / Professional Body	<input type="checkbox"/> Early Years Setting
<input type="checkbox"/> Campaign Group	<input type="checkbox"/> Parent / Carer	<input type="checkbox"/> Other

If 'Other' Please Specify:

The principles underlying the new funding formula are: that it should meet the needs of the 21st Century School; that “fairness” does not mean that everyone will get the same; that needs in individual schools are best assessed at the local level; that differences in funding between local authorities must be justified using robust evidence; that a Local Pupil Premium should be used to distribute deprivation funding, and that there should be protections at school and local authority level to reduce the level of short term changes to the distribution.

1. Do you agree with the principles we are applying to the formula?

 All Some None Not Sure

Comments:

We intend to mainstream as many specific grants as possible into the DSG. At this stage we see the DSG as including: Dedicated Schools Grant (including London Pay Addition Grant); School Development Grant (Devolved) excluding Specialist Schools; School Standards Grant; School Standards Grant (Personalisation); School Lunch Grant; Ethnic Minority Achievement Grant; Extension of the Early Years Free Entitlement and Extended Schools – Sustainability and Subsidy.

2. Do you agree with the proposals to mainstream the grants specified into DSG?

Yes

No

Not Sure

Comments:

We are clear that the elements of the formula will be: a basic entitlement; additional educational needs, including those associated with deprivation; high cost pupils; sparsity and an area cost adjustment.

3. Do you agree with the proposed elements of the formula?

Yes

No

Not Sure

Comments:

The basic entitlement is intended to cover the general costs of running schools - notionally just less than three quarters of the current DSG allocation. There are two approaches to calculating the basic unit of funding per pupil: a judgemental approach – in which the funding is based on an assessment about how best to divide up the overall sum planned by the Government into its main formula components, or a bottom-up approach – in which the funding is based on an assessment of how much a school needs to spend to provide education for pupils before any adjustments are made, known as activity-led funding (ALF).

4. Which methodology for calculating the basic entitlement do you consider would enable the fairest and most practical distribution of funding?

Judgemental

Activity-led Funding

Not Sure

Comments:

Our proposed methodology for distributing AEN funding is to make an assessment of the national incidence of additional educational needs and, because we have no way of knowing exactly where each pupil with additional educational needs is located, to use proxy indicators to assess the likely incidence of these needs in each local authority. We propose to distribute funding using carefully chosen indicators that are associated with the individual need types identified in the PricewaterhouseCoopers survey.

5. Do you agree with the proposed methodology for distributing money for additional educational needs?

Yes

No

Not Sure

Comments:

Within the distribution mechanism we have identified five options for the indicators to be used for distributing deprivation funding. These are:

Option 1 Out of Work Tax Credit Indicator

Option 2 Free School Meals (FSM)

Option 3 Child Poverty Measure

Option 4 Average IDACI (Income Deprivation Affecting Children Index) score of pupils educated within the local authority

Option 5 FSM with the additional 500,000 pupils in most deprived areas by the IDACI score not on FSM

6. Which is your preferred indicator for distributing money via deprivation? Why?

<input type="checkbox"/>	1	<input type="checkbox"/>	2	<input type="checkbox"/>	3	<input type="checkbox"/>	4	<input type="checkbox"/>	5
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Why?

In the consultation document we have linked the non-high cost AEN need types to what we consider to be the most appropriate distribution indicator. This results in 49.5 per cent of AEN funding being distributed via a deprivation indicator, 24.6 per cent is distributed via underperforming groups, 13.5 per cent via English as an Additional Language and 12.4 per cent via a flat per pupil rate.

7. Do you agree with the indicators, other than for deprivation, that we have proposed for each need?

All

Some

None

Not Sure

Comments:

To ensure the funding to support schools to meet the needs of deprived children is clearly identified and responsive to where these children are, the Government will require all local authorities to operate a Local Pupil Premium from 2012-13 onwards. This means that an amount of money in a school's delegated budget must relate directly and explicitly to deprived pupils within the school, and should move around the system as necessary. Such a Local Pupil Premium would mean that if a school recruits a larger number of deprived pupils, they can see that they will get additional funds, which will be reflected in their budget.

8. Will the Local Pupil Premium mechanism help funding to be more responsive to changes in pupil characteristics?

 Yes No Not Sure

Comments:

The Government believes that local authorities and schools are in a far better position than central Government to assess the levels of need within individual schools. Local authorities will have the freedom to agree with their Schools Forums how to operate a local pupil premium, rather than a process being mandated nationally. Local authorities will want to develop different systems depending on their local circumstances, and we will look to provide best practice as systems develop.

9. Is it right that local authorities should each develop their own pupil premium mechanism?

Yes

No

Not Sure

Comments:

We propose to use the same approach for the allocation of funding for the high cost pupil block to that proposed for the allocation of AEN funding – namely that based on the pupil need types identified in PwC school survey, but using the specific data for high cost pupils, and identifying the most appropriate distribution mechanism for allocating resources to local authorities for these need types. The effect of the formula is to distribute 14 per cent of the high cost pupils block via deprivation, 50 per cent distributed via a flat per pupil rate, 33 per cent distributed via a measure of those pupils not achieving higher than Level 2 at Key Stage 2, 2 per cent via the take-up of Disability Living Allowance and 1 per cent via English as an Additional Language.

10. Do you agree with the methodology for distributing money for High Cost Pupils?

Yes

No

Not Sure

Comments:

For sparsity funding we propose to use the home postcode data collected in the annual school censuses; these are collected annually and, as a pupil census, would more accurately reflect the sparsity of the pupil population. We also propose to use the Middle Super Output Area to provide a replacement to the ward geography, providing a comparable number of geographic units to that of wards

11. Do you agree that the school censuses and Middle Super Output Area are the right data source and geography to use to assess the sparsity of an area?

Yes

No

Not Sure

Comments:

Two options are proposed for calculating the sparsity factor – broad and narrow. The broad option would, at current figures, result in 104 local authorities receiving additional money for sparsity, with 1.07 million pupils deemed sparse or super-sparse. An alternative, narrow, option would mean that around 300,000 pupils are deemed sparse or super-sparse, a number similar to the 280,000 pupils who currently attend small (<150FTEs) rural primary schools. Under these altered thresholds 66 authorities would receive sparsity money, enabling us to increase the unit cost for each sparse pupil.

12. Which method for calculating the sparsity factor do you think will best enable additional funding to reach those local authorities that need to maintain small schools – the broad or narrow option?

 Broad Narrow Not Sure

Comments:

The case for a sparsity factor for small secondary schools was considered, having regard to:

- Whether there are enough small secondary schools to warrant a dedicated sparsity factor and whether their occurrence can be predicted by a sparsity measure;
- Whether or not small secondary schools require more teachers per pupil than other schools; and
- If not, whether that means that small secondary schools are unable to deliver sufficient choice in the KS4 curriculum.

No robust link was found between small schools (below 600 FTE) and sparsity. No evidence was found that small secondary schools have disproportionately more teachers than other schools. And an analysis of the number of subjects on offer at each school showed a very wide variation in the number of subjects available in schools of similar sizes. This suggests that the need for a secondary sparsity factor has not been proven.

13. Do you agree that there should not be a secondary sparsity factor?

Yes

No

Not Sure

Comments:

The Area Cost Adjustment (ACA) reflects the need for schools in some areas to pay higher salaries and to pay more to recruit and retain staff. Two options are proposed for reflecting area cost differences for education: the general labour market (GLM) approach and a hybrid approach. The latter is based on the specific pay costs of teachers, details of which are available, and the GLM approach for the elements of staff costs where details are not available.

14. Which is the fairest method of applying the Area Cost Adjustment?

 GLM Hybrid Not Sure

Comments:

As we are mainstreaming specific grants into the DSG we propose having a single set of transitional arrangements that applies to a baseline incorporating both the DSG and those grants. As the approach is likely to require local authorities to revise their formulae and as timing is tight to do this for 2011-12 we propose to amend the School Finance Regulations to enable local authorities to include previous specific grant payments as formula factors for 2011-13.

15. Do you support our plans for the transitional arrangements for mainstreaming grants?

Yes

No

Not Sure

Comments:

In order to protect local authorities from significant potential losses in the formula, we intend to have a per pupil cash floor which will be set above the level of the Minimum Funding Guarantee. This floor will need to be paid for by either a ceiling on large increases the formula generates for some authorities or by reducing the allocation to all other non-floor authorities (or a combination of the two).

16. Should floors be paid for by all local authorities or just the largest gaining authorities?

All Authorities

Largest Gaining Authorities

Not Sure

Comments:

We have said that we will take this opportunity to consider if the operation of the Minimum Funding Guarantee can be improved.

17. Have you any suggestions as to how the Minimum Funding Guarantee could be improved?

Yes

No

Not Sure

Comments:

In 2008 we introduced the Exceptional Circumstances Grant (ECG). Its purpose was to assist local authorities who experience:

- significant growth in the number of pupils between the January school census and the start of the academic year; or
- significant growth over the spending period in the number of pupils with English as an Additional Language.

This grant is funded from the overall DSG settlement. In 2008-09 and 2009-10, no authorities received ECG for a general increase in pupil numbers, although several have received funding for increases in the proportion of pupils with EAL. We are seeking views on whether there is a case for a similar arrangement from 2011, funded from the DSG, and if so how it should operate and what circumstances should be covered.

18. If a contingency arrangement for local authorities is to continue, funded from the DSG, what areas should it cover and what should the criteria be for triggering eligibility?

Comments:

The review considered whether there is evidence that children of parents from the Armed Services are underachieving and need additional support. Evidence shows that such children do well compared to their non-Service children peers and this does not suggest the need to make specific provision for Service children in the DSG formula to support underachievement.

We consider there is a case for additional support for schools which traditionally cater for Service families, mainly those located near armed service establishments. Such schools are prone to pupil number fluctuations and therefore funding due to troop movements, which can affect their stability and sustainability. We are considering whether to allow local authorities with such schools to make a claim for additional pupils to be counted for DSG purposes where numbers have fallen significantly from one year to the next as a result of armed forces movements. These claims would be made directly to the Department and would be considered individually on their merits.

19. Do you support our proposals for Service children?

Yes

No

Not Sure

Comments:

20. Have you any further comments?

Comments:

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

Please acknowledge this reply

Here at the Department for Children, Schools and Families we carry out our research on many different topics and consultations. As your views are valuable to us, would it be alright if we were to contact you again from time to time either for research or to send through consultation documents?

Yes

No

All DCSF public consultations are required to conform to the following criteria within the Government Code of Practice on Consultation:

Criterion 1: Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Criterion 2: Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

Criterion 3: Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Criterion 4: Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

Criterion 5: Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

Criterion 6: Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Criterion 7: Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

If you have any comments on how DCSF consultations are conducted, please contact Donna Harrison, DCSF Consultation Co-ordinator, tel: 01928 794304 / email: donna.harrison@dcsf.gsi.gov.uk

Thank you for taking time to respond to this consultation.

Completed questionnaires and other responses should be sent to the address shown below by 7 June 2010

Send by post to:

Ian McVicar
SFTU
3rd Floor
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

Send by e-mail to: dsg.consultation@dcf.gsi.gov.uk

MEETING:	SCHOOLS FORUM
DATE:	17 MAY 2010
TITLE OF REPORT:	EXTENDED SCHOOLS REVIEW – ALLOCATION OF FUNDING FOR 2010/11
OFFICER:	HEAD OF OPERATIONAL DEVELOPMENT

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To inform the Schools Forum of the Extended Services funding allocations for 2010/11 and monitoring arrangements and to ask for endorsement of these.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT Schools Forum:

- (a) **Endorse the Extended Services funding allocation for 2010/11 on the basis of proportional increases of the base amount per partnership, per school and per pupil;**
- (b) **Agree that the funding will be released upon agreement of a cluster delivery plan with progress targets on each of the performance measures on a quarterly basis in line with Forum decision made last year;**
- (c) **Endorse the Extended Services Disadvantage Subsidy Funding allocation.**

Key Points Summary

- The Extended Services funding formula will remain the same as agreed by Schools Forum in 2009/10.
- Extended Services funding for 2010/11 will be released upon receipt of a cluster delivery plan.
- Clusters will be expected to complete termly monitoring returns to enable the LA to have a clear picture of both the locally identified priorities and the way in which the Extended Services budget is being used to help meet these priorities and how the fund is being used to support

Further information on the subject of this report is available from
Debbie McMillan Head of Operational Development (01432) 260978

school improvement and improve outcomes for children and young people.

- Extended Services Disadvantage Subsidy funding is additional funding for 2010/11 and is provided to schools to directly support children who are financially disadvantaged to access activities outside of the school day for free. The subsidy must not be spent on administration or staffing costs. Full guidance about subsidy funding has been provided to schools. Subsidy funding will be released to cluster budget holders in 3 termly instalments and basic monitoring forms will need to be submitted. The monitoring forms have been designed by the Extended Services Coordinators involved in the pilot phase.
- All subsidy funding will be released directly to schools except for the element of that funding allocated for Looked After Children that will be held centrally. Looked After Children, as part of the target group, and their carers should be fully involved in choosing, designing and continuously improving a range of activities that are attractive and relevant for them to engage in. This should help to establish genuine control of the funding identified for them. They will be able to choose whether they wish to access out of school activities on or off the school site or if they would like to take part in group activities with other Looked After Children.

Alternative Options

1. The funding formula for allocation of Extended Services funding is as agreed by Schools Forum for the 2009/10 allocations. There is no reason to make changes to the agreed formula.

Reasons for Recommendations

2. Schools Forum has previously made the decision on the funding formula for Extended Services funding. We are not proposing making any changes to this.

Introduction and Background

3. Schools Forum approved the funding formula for the 2009/10 Extended Services funding allocation on 15th December 2008. It was approved that the Extended Services clusters would need to complete an Extended Services delivery plan linking activities to anticipated outcomes for children, young people and their families and for schools. All clusters completed delivery plans and were supported by the LA. Delivery plans enabled clusters to consider what their priorities were and helped schools make decisions over funding Extended Services provision.
4. We will continue with this arrangement for Extended Services delivery in 2010/11. Clusters have been provided with a delivery plan template and support will be offered especially focusing on those schools that are not yet at Full Core Offer status to ensure that the delivery plan focuses spend on enabling all schools to reach FCO status. Funding will be released to cluster budget holders termly and Extended Services Co-ordinators (ESCOs) will be responsible for the return of termly monitoring forms.
5. The LA will support clusters with monitoring visits to all ESCOs and with regular ESCO meetings. This process will enable the LA as the accountable body to have a clear picture of both the locally identified priorities and the way in which the Extended Services budget is being used to help meet these priorities and how the fund is being used to support school improvement and improve outcomes for children and young people.
6. Subsidy funding will be released directly to cluster budget holders with recommendations on each schools allocation of the fund. Funding will be released in 3 instalments. Clusters will be expected to complete a detailed monitoring form. Funding for Looked After Children will be

held centrally.

7. Clusters will be expected to report on the impact that Extended Services funding has had in terms of school improvement – in particular, attendance, behaviour and achievement. ESCOs have received training in the TDA impact evaluation model and will be expected to provide the LA with evidence of impact. An audit of Extended Services activity will be expected to be completed by clusters during April/May 2010. Demonstrating the rationale and the impact of targeting pupils with regard to learning and support will be important judgements to highlight in the SEF. The effectiveness of how a school manages its available resources, to meet the needs of its pupils and achieve high quality outcomes, is also important evidence to be outlined in the SEF. The Extended Services provision and Subsidy will have an important role to enable these outcomes.

Key Considerations

8. No change to the current situation is being proposed. Delivery of Extended Services support Children's Trust priorities for 2010/11. TDA expect that all Herefordshire Schools will be at Full Core Offer status by 1st September 2010. Currently 10 schools do not meet FCO status and are a priority for the Local Authority.

Community Impact

9. Community Use is one element of the Extended Services core offer and there will be a drive in 2010/11 to encourage Extended School clusters to engage with community partners in delivery of the ES core offer. Clusters can consider pooling budgets with community partners.

Financial Implications

10. A spreadsheet is attached outlining Extended Services allocations for 2010/11. £1,687,414 is allocated against Extended Services for 2010/11. This includes:

DSG*	158,351
Area Based Grant	314,109
Standards Fund (ES)	722,747
Standards Fund (Subsidy)	492,207

* equivalent to £7 per pupil but not separately identified in school budgets.

Legal Implications

11. These proposals comply with the Council's legal duties.

Risk Management

12. The key risk for the Local Authority is that we do not reach the target set by TDA of 100% of schools offering access to the Full Core Offer (FCO) by Sept 2010. Currently 10 schools do

not reach FCO. Schools reaching FCO status are listed on the DirectGov website. DCSF are asking us to reassess schools that are currently full core offer and we are expected to inform them if any have regressed and need to be removed from this database. The TDA cluster working together event on 20th April aims to support these schools to reach FCO. Cluster business plans will focus spend on achieving FCO status for these schools.

Consultees

13. The Enjoy and Achieve Outcome group chaired by Denise Strutt endorsed the funding formula for Extended Services Disadvantage Subsidy. Extended Schools Co-ordinators have been involved in discussions over monitoring arrangements and the design of relevant forms.

Appendices

Appendix A - Extended Services allocations for 2010/11

Background Papers

None identified.

MEETING:	SCHOOLS FORUM
DATE:	17TH MAY 2010
TITLE OF REPORT:	PROPOSAL TO REVIEW SEN/AEN FUNDING
OFFICER:	HEAD OF ADDITIONAL NEEDS

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To note and endorse recommendations for further work on SEN Funding.

Key Decision

This is not a Key Decision.

Recommendation

THAT (Schools Forum):

- (a) **endorses further work to produce a range of options for the delegation of SEN funding to mainstream schools to replace or modify the existing model of delegation/banded funding;**
- (b) **endorses further work to produce a range of options for the funding of the County's maintained special schools; and**
- (c) **endorses further work to produce a range of options for the delegation of funding to allow schools to purchase learning and behaviour support services via a service level agreement.**

Key Points Summary

- The present system of SEN funding for schools, although it has been revised several times, does not always command the confidence of a range of stakeholders.
- The LA is revising its Policy on Inclusion and this is a good opportunity to develop a coherent funding system that supports the policy objectives including the delivery of positive outcomes for learners with Additional Needs.

Further information on the subject of this report is available from
Les Knight – Head of Additional Needs on (01432) 261724 (lknight1@herefordshire.gov.uk)

Alternative Options

1. If recommendations 1-3 above are endorsed, a range of options will be presented in paper(s) to be brought back to Schools Forum at a later date. One of the options will, in each case, be to maintain the current model.

Reasons for Recommendations

2. It has become apparent that the current system for funding SEN/AEN does not always command the confidence of a range of stakeholders. The concerns expressed cover the following areas:
 - LA Officers and the Schools Forum representatives have raised concerns regarding the growth in the cost of providing for those with SEN. This growth is demonstrated in Appendix A. Investigations into the reasons for this growth have led to a belief that it is the band 3 and 4 allocations of the banded funding system that might be responsible. Further work is required to determine the extent to which expenditure on the funding of 'hours on statements' have reduced by a corresponding amount.
 - Schools have expressed concerns about the complexity of the application system for banded funding. The composition of the banded funding panel has also been a concern for some Head teachers.
 - Parents and carers have expressed doubts about the monitoring of delegated SEN funding and the guarantees that can be provided about the levels of support delivered to their child.
 - Some schools and LA Officers have concerns regarding the ability of smaller schools to respond to high levels of need under a delegated system.
 - LA Officers have concerns that the present system retains some features that provide a perverse incentive to seek additional funding.
 - Head teachers of Herefordshire's special schools have expressed concern about the responsiveness of the current special school funding system. In particular, whether the funding system can respond quickly to the build up of pupils placed in special schools as the academic year progresses and how this can impact on the stability of staffing.
3. The LA is currently revising its policy on inclusion and this provides a good opportunity to review the current system to ensure that Herefordshire develops a coherent funding system that supports the policy objectives.
4. Comparative information provided by the National Strategies also raises a number of other questions relating to the way in which we distribute SEN and AEN funding in Herefordshire (see Appendix B). These questions need to be considered as we develop the policy on inclusion.

Introduction and Background

5. There have been a number of incremental changes to the SEN/AEN funding system in recent years including:

a) Banded funding:

- The move to a banded funding system started in 2003 and moved through primary schools year-by-year and into Secondary schools in 2005/6. There were 4 levels of funding).
- In April 2009, bands 1 and 2 were delegated to schools on a formula basis following detailed consultation with schools, approval by Schools Forum and sign off by Cabinet.
- The process trialled throughout the summer of 2009 and changes were made including amending the criteria for behaviour and autism.
- The budget for band 3 and 4 continued to be allocated to individual pupils against specific criteria with £217,000 being allocated for 2009/10 and an actual expenditure of £337,000 (excluding academies). This overspend was almost entirely accounted for in primary school applications. The 2009/10 level of funding for band 3 is £7,200 and for band 4 is £11,250.

b) Delegation of SEN funding by formula based on proxy indicators:

- The delegation of band 1 and 2 funding in April 2009 was the first delegation of SEN funding via a formula based on the proxy indicators of need. Initially, this was based on two factors: pupil numbers and free school meals. The indicators were revised for 2010/11 to be consistent with the deprivation factors in the overall school funding formula, i.e. an IDACI deprivation factor, a low prior attainment factor, free school meals, free school meal percentage and pupil numbers.
- The amount delegated in 2009/10 was £2.35m and £2.55m in 2010/11.

c) Special school funding

- The current formula for is based on 2 levels of pupil-led funding (standard and enhanced). The standard funding rate is £13,207 and the enhanced rate is £19,348 (2010/11 values). The schools receive other elements of funding, e.g., premises costs.
- There are two annual pupil counts, which determine the pupil-led element of the funding. These take place in January and September. Special school budgets are revised when September pupil numbers are known.
- The moderation process to determine which pupils should receive the enhanced level of funding takes place in November. The moderation process is conducted by head teachers and LA officers.

- The total special schools budget in 2010/11 is £4,006,000. This includes both the pupil-led elements and premises elements of the budget.

d) Delegation of funding for Learning and Behaviour Support Services

- The Learning and Behaviour Teams currently provide support to pupils and schools that is free at the point of delivery. The funding for these services is top-sliced from DSG. In September 2007, Schools Forum tasked the Funding for Inclusion Group to scope delegation of the funding for Central Advisory Teams to schools. The group recommended the delegation of the funding for learning and behaviour advice and support services. It was proposed that the funding that currently supports these teams is delegated to schools in order that the same type of services could be purchased from the teams (or from elsewhere) via a service level agreement. This would allow decisions about support to be made as close to the child as possible and also helps the LA meet its delegation targets.
- Consultation was held from 22nd September to 14th November 2008. Consultees were asked to consider whether 'To delegate Dedicated Schools Grant budgets of approximately £400,000 identified for the provision of general learning and behaviour teams together with associated team costs to mainstream schools from April 2009'.
- Due to the low response rate of 23% across all mainstream schools. (Primary 25% High Schools 14%), further consultation was sought and implementation postponed.
- The Herefordshire Association of Secondary Heads (HASH) subsequently indicated unanimous support for all the proposals subject to further consultation.
- Options for the delegation of funding for the Learning and Behaviour teams together with the development of an appropriate SLA are now being prepared for consultation.
- The quality of the service provided ought to determine the level of buy-back from schools. In order to maintain the service, it is essential that the quality remains high. If the percentage of schools buying back reduces below a certain level, the viability of the service will be called into question.
- We remain a high spending LA on centrally held Specialist Advisory Services: most LAs have delegated the funding for their high incidence support services. (England Average £28 per pupil Herefordshire £59 per pupil). The delegation of Learning and Behaviour Support funding would bring us more into line with the national average and statistical neighbours.

Key Considerations

6. In order to build confidence of all stakeholders, a range of principles or criteria may be used for the design and evaluation of a funding formula or scheme as shown in Appendix C. Recommendations 1-3 above will use this set of criteria to evaluate any options for revising the funding system.
7. It is important to note that the accountability through the monitoring of the use of resources is seen as an integral part of the funding system and not a separate activity.

This aspect is continuing to be developed as part of an overall Quality Assurance Framework for SEN.

Community Impact

8. The aim would be to provide a system of SEN/AEN funding that offers that same level of funding for the same level of need across the county, regardless of which school or setting a pupil attends.
9. Consideration of delegation of cluster or locality funding should be considered amongst the options to be brought back to the forum as this has the potential to strengthen the working together of a community of schools to meet need.

Financial Implications

10. The intention would be to provide a funding system that is cost-neutral, that would remove any perverse incentives and would therefore contain costs unless there was clear evidence of changes in the pattern of need that would demand additional funding. Any increase in expenditure would be funded from DSG and would therefore result in a further top slicing of school budgets.

Legal Implications

11. Any changes to the SEN funding system need to be within the current regulations relating to Local financial management and need to take account of the new requirements relating to the funding of deprivation.

Risk Management

- 12a. There is a risk that any revision to the current system will have further unintended consequences that distort the system. This can be mitigated by ensuring that the monitoring systems are responsive to trends and that action can be taken to adjust the system.
- 12b. The risk of not preparing options to review the system is that the system might be undermined by a lack of confidence in it and that the costs for SEN might continue to rise in a way that is out of proportion to the budget available for all children. Given the growth in the numbers of children with banded funding on statements, this risk can partly be mitigated by improving the monitoring of the Annual Review of Statement in order to ensure that those in receipt of Band 3 and 4 funding continue to have that level of need.

Consultees

Inclusion Partnership Co-ordinators

Herefordshire Carers Group

Relevant LA Officers

A sample of Herefordshire's Headteachers

Appendices

Appendix A - A Summary of SEN Funding Trends

Appendix B - Extract from A framework to support self-evaluation by local authorities Part III - SEN/ LDD Data Set - Herefordshire LA No 884 (National Strategies April 2010)

Appendix C - Principles for AEN/SEN Funding (From Marsh; 2004)

Background Papers

- Resourcing Additional and Special Educational Needs in Wales (Marsh; 2004)
- The Management of SEN Expenditure (DfES; 2004)
- SEN Expenditure Trends Report by Managers of SEN and Finance (Herefordshire Schools Forum 10th October 2007)

*Use of Exempt Information Schedule 12A

The information below **must** be included in any exempt report.

'This report (or the appendices) is / are exempt by virtue of paragraph (quote the paragraph number of the list below)

- Information related to any individual*
- Information which is likely to reveal the identity of an individual*
- Information relating to the financial or business affairs of any particular person (including the authority holding that information)*
- Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relating matter arising between the authority or a Minister of the Crown and employees of, or office holders under the authority.*
- Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.*
- Information which reveals that the authority proposes:*
 - to give under any enactment a notice of by virtue of which requirements are imposed on a person ; or*
 - to make an order or direction under any enactment*

vii. *Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.*

.... of the Access to Information Procedure Rules set out in the Constitution pursuant to Schedule 12A Local Government Act 1972, as amended.

Report authors must make sure the correct paragraph is used to apply any exemption (*and that a public interest test has been applied and justified*). *This means that the exemptions can only be applied where the public interest in maintaining the exemption outweighs the public interest in disclosing it.* The relevant paragraph must be included together with the public test justification before you sent it to Legal Services in order that they can confirm that your reasons are acceptable.

The justification must be set out in the 'Exempt Information Section'. In the case of a partial exemption e.g. appendix, the above test, together with the justification **must** also be included on the appendix.

Appendix A – A Summary of SEN Funding Trends

Key points:

- SEN Expenditure as % of Education Budget: The proportion of the budget devoted to SEN has increased. (excluding central SEN support services) The following paragraphs investigate some of the elements that could be creating this increase.

	2006-07	2007-08	2008-09	2009-10	2010-11
%	3.53	3.58	5.4	5.50	5.3

- Banded Funding without Statements via Banded Funding Panel. Between 2006-10 there was evidence of an increase in the number of allocations via the Banded Funding Panel at Band Level 3 or 4.

	2006-07	2007-08	2008-09	2009-10
Band 3	23	33	29	37
Band 4	9	12	14	15

- The majority of these allocations were for General Learning and Developmental Delay and Behavioural, Emotional and Social Difficulties.
- Statutory Assessment and Statement: Apart from 2007/08, there has been a year on year increase in requests for Statutory Assessment and an increase in the number of Statements issued.

Financial Year	Requests for Statutory Assessment	DECISION		OUTCOME	
		Assess	Don't Assess	Statements Issued	NiL issued
2006/07	51	38	13	34	4
2007/ 08	58	26	32	25	1
2008/09	90	53	37	44	7
2009/2010	102	65	29	43	1

Note: Some decisions still pending from 2009/10

- Banded Funding with Statements There has been a tripling of the number of Statements with Level 3 or 4 funding since 2005 with year on year increase; the greatest increase has been in the number of Level 4 allocations. Over a quarter of all Statements now have Level 3 or 4 funding. It needs to be noted that Herefordshire has a lower overall rate of statementing for the 0-19 population compared to nationally (1.42% compared to 1.85%). As pupils tend to receive statements of SEN in their primary phase of education, this growth following the introduction of the new system is inevitable. There needs to be further investigation to determine if there is a commensurate reduction in the level of funding for pupils with 'hours' on statements (the previous system) as pupils leave school.

Year	Level 3	Level 4	Total
2005	36	15	51
2006	47	27	74
2007	66	55	121
2008	61	60	121
2009	79	88	177

- There has been an increase in the total expenditure for Out of County 'Education Only' placements in 2009/10 although the increase is due to one placement via a parental appeal to SENDIST.

Financial Year	Cost
2006/7	£407,211
2007/8	286,871
2008/9	332,275
2009/10	293,145 **

** provisional subject to final closedown. 1 case pending which potentially brings total to £443,002

- At least two young people are due to leave their Out of County placement by September 2010.

L Knight based on information supplied by M Green and E Edwards
April 2010

The National Strategies

Strategic & service management - Resources

Table 17: LA strategic management, assessment and coordination - Total planned expenditure (from S52, S2.2.7 Total Special Education = the sum of: 2.2.1 EPS; 2.2.2 SEN admin assessment & co-ordination; 2.2.3 Therapies & other Health Related Services; 2.2.4 Parent partnership guidance and information; 2.2.5 Monitoring of SEN provision)

	Total planned expenditure		Amount per pupil (3-19) – England average 2008 - £37, 2009 - £38	
	2008-09	2009-10	2008-09	2009-10
Herefordshire	£1,180,566	£882,010	£50	£36

Table 18a: LA Specialist Advisory & Support Services (S52, S1.2.2) - resources not delegated to schools - Planned expenditure

	2007-8	2008-9	2009-10
Herefordshire	£1,116,036	£1,357,740	£1,371,897

Table 18b: LA Specialist Advisory and Support Services (S52, S1.2.2)-resources not delegated to schools-Amount per pupil(3-19)

	2007-08	2008-09	2009-10
England	£27	£29	£28
Herefordshire	£49	£58	£59

Table 19a: Notional SEN delegated to mainstream schools – Taken from S52 Schools Statements

	2007-8	2008-9	2009-10
Herefordshire	£7,843,170	£8,462,791	£9,847,186

Table 19b: Notional SEN delegated to mainstream schools – Amount per pupil (3-19)

	2007-8	2008-9	2009-10
England	£276	£270	£281
Herefordshire	£342	£359	£424

Further information on the subject of this report is available from
Les Knight – Head of Additional Needs on (01432) 261724

Appendix B - Extract from A framework to support self-evaluation by local authorities Part III - SEN/ LDD Data Set
Herefordshire LA No 884 (National Strategies April 2010)

The National Strategies

Table 20: Notional SEN budget as % of the Individual School Budget (ISB)

	2006-7	2007-8	2008-9	2009-10
England	7.3%	7.7%	7.5%	7.5%
Herefordshire	9.9%	10.3%	11.0%	12.5%

Table 21a: Individually assigned resources - S52, S1.2.1 LA retained resourced for children with SEN with and without statements

	2007-8	2008-9	2009-10
Herefordshire	£863,438	£1,314,554	£433,935

Table 21b: Individually assigned resources -S52, S1.2.1 LA retained resourced - Amount per pupil

	2007-8	2008-9	2009-10
England	£32	£35	£36
Herefordshire	£36	£57	£19

Table 22a: Maintained Special Schools – Total planned expenditure – ISB

	2007-8	2008-9	2009-10
Herefordshire	£3,111,886	£3,579,830	£3,786,278

Table 22b: Maintained Special Schools – Amount per pupil (3-19)

	2007-8	2008-9	2009-10
England	£193	£199	£198
Herefordshire	£136	£152	£148

Table 23a: Independent and Non-Maintained Special Schools - Total planned expenditure (S52, Line 1.2.4)

	2007-8	2008-9	2009-10
Herefordshire	£1,735,758	£2,155,772	£2,044,092

Further information on the subject of this report is available from
Les Knight – Head of Additional Needs on (01432) 261724

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Table 23b: Independent and Non-Maintained Special Schools – Planned expenditure

	Planned expenditure per 3-19			Planned expenditure per placed pupil		
	2007-8	2008-9	2009-10	2007-8	2008-9	2009-10
England	£75	£77	£82	£46,429	£49,537	£49,746
Herefordshire	£76	£91	£88	£82,655	£119,765	£127,756

Table 24a: Home to school transport for children and young people with SEN / LDD (S52 - 2.1.3 Home to school transport: SEN transport expenditure) – Total planned expenditure

	2007-8	2008-9	2009-10
Herefordshire	£1,346,521	£1,514,990	£1,534,975

Table 24b: Home to school transport for C&YP with SEN / LDD – Amount per pupil (3-19)

	2007-8	2008-9	2009-10
England	£74	£69	£73
Herefordshire	£59	£64	£64

Appendix C - Principles for AEN/SEN Funding (From Marsh; 2004)

A range of principles or criteria may be used for the design and evaluation of a funding formula or scheme [Marsh, 2003a]. The principles and associated key questions need to be judged against the main policy objectives of the LEA and the intended purpose[s] of the funding. The principles have been drawn from three sources: Ross [1983], Levacic [1995]; Ross and Levacic [1999]. The key questions have been drawn from the 2001 DfES guidance to LEAs on the distribution of resources to support inclusion [DfES, 2001].

- a. **Simplicity.** Is the funding scheme easy to understand and does it have low administrative costs both at LEA and school level?
- b. **Equity.** Are the levels of resources for different SEN Funding Blocks judged to be fair? Is there fair and equal treatment for all schools and does the funding scheme promote inclusive practice? Should the same amount of money [unit value] be allocated to each pupil irrespective of the nature or degree of their need?
- c. **Effectiveness and Standards.** How well does the funding scheme meet the LEA's policy objectives? Are monitoring arrangements in place for pupil outcomes of pupils with SEN?
- d. **Responsiveness to Needs.** Is the funding scheme flexible enough to make provision for children with complex needs? Are children with additional educational needs supported and not just those who experience special educational needs? Are the requirements of statements met?
- e. **Efficiency/Value for Money.** Does the funding scheme adhere to the principles of whole school funding to ensure maximum effect? Is early identification supported with appropriate intervention strategies? Are perverse incentives avoided? Does the scheme in general offer value for money?
- f. **Cost Containment.** Are resources distributed to meet the additional and special educational needs of children in mainstream settings, irrespective of whether or not a statement is held?
- g. **Accountability.** Are the relative roles, duties and expectations of schools and LEAs clearly outlined? Are arrangements included to monitor the use of resources?
- h. **Transparency.** Is the funding scheme readily understood by schools, governing bodies and parents? Are schools aware of the amount received for pupils with additional and special educational needs and of the intended purpose of the funding? Has there been open dialogue between stakeholders and the LEA?
- i. **Stability of Funding.** Are there major shifts in funding between schools?
- j. **Willingness to Accept Change.** Has the funding scheme been developed in partnership with schools and other relevant stakeholders? Are schools willing to change? Has a clear plan for transitional arrangements been formulated?

MEETING:	SCHOOLS FORUM
DATE:	19TH APRIL 2010
TITLE OF REPORT:	TRADE UNION FACILITIES BUDGET – UPDATE REPORT
OFFICER:	HUMAN RESOURCES MANAGER

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

The purpose of this report is to provide an update on the Trade Union facilities budget in terms of the mechanism to better control the trade union facilities budget. The report is provided for Schools Forum to note.

Key Decision

This is not a Key Decision.

Key Points Summary

- Teacher trade union trade union facilities spend is £65,814 for Period 13
- Budget overspend was due to a number of factors
- Under the current climate of financial pressure it is imperative that budgets are balanced. Two options 1) less activity or 2) more money allocated from DSG
- A number of actions have been undertaken in order to alleviate the current budgetary pressure of the Trade Union Budget for schools
- A full review of the Trade Union Facilities Agreement is currently underway

Alternative Options

N/A

Reasons for Recommendations

N/A

Further information on the subject of this report is available from
Mel Ganderton, HR Manager - CYPD on (01432) 260934

Introduction and Background

1 A previous report was provided for Schools Forum Budget Working Group on the Trade union Facilities Budget for schools. As a result of the overspend of the TU budget for schools Schools Forum asked for a number of actions to be undertaken in relation to ensuring better budgetary control. Schools Forum gave the directive that the TU budget for schools should only fund TU facility activity with a direct benefit to schools, and therefore other corporate activity, and other facility activity should be funded from the other more appropriate budgets. It was recognised that the TU facilities budget has historically funded different facility activity other than consultation, schools policy work, and casework for schools. The actions from Schools Forum included the following:

- Corporate Policy development / Corporate Workshops to be funded from a Corporate HR budget
- WAMG meetings to be funded from a Workforce Development budget
- Health & Safety activity to be funded from Health & Safety
- Union Learning Rep facility funded from another central budget
- Full review of Trade Union Facility time with reference to consultation framework

In addition, Schools Forum requested that a better system be introduced in order to monitor the budget in the future, and to also ensure that trade union facility time is used appropriately. It was confirmed that the review of Trade Union Facilities across the Council would include a review of the voucher system and a mechanism to ensure better budgetary control.

Update

Corporate Policy Development / Corporate Workshops

In terms of update corporate policy development / corporate workshops will now be funded by the Corporate TU facilities budget. Adrian Chard, HR Manager Employee Relations is also investigating refunding the cost of corporate TU work for 09/10. Once the value is determined the amount will be credited to the Trade Union Facilities budget for schools.

WAMG

All WAMG activity is now funded directly from Training and Development, and is managed by Sharron Goode. Sharron has developed a separate voucher system, and is monitoring the spend directly. The budget for this activity has been set at £10k.

Health & Safety

Health & Safety meetings will be funded directly from Health & Safety. Andrew Rewell is currently developing a separate arrangement for H&S facility time, and this is to be discussed with union reps in due course.

Union Learning Representative Time

There is no identified budget either corporately or within CYPD in order to fund this activity. It must however be recognised that facilities time for Union Learning Representatives as this is statutory requirement, and therefore funding must be allocated for this activity. It is not an option to stop all funding for Union Learning Representative activity. Consideration must be

given to whether money should be allocated from DSG and a CYPD budget in order to jointly to fund this activity. One option could be to agree a funding split of 50:50 between CYPD and DSG, and this would be capped at the agreed level. This will require further discussion, and agreement in conjunction with the wider Trade Union Facilities Time Agreement. (See below)

Trade Union Facilities Agreement – Review

Adrian Chard, HR Manager – Employee Relations is currently undertaking the review of Trade Union Facilities arrangements across the Council. This includes arrangements for all Teacher Trade Unions, Unison and GMB. This review is not yet complete, but it is intended that the review will be complete by mid-May for discussion and consultation with Trade Union representatives. The review has taken longer than anticipated, largely due to the need to conduct a full review of funding and monitoring arrangements and also linking it to the review of Consultation and Negotiation arrangements across the Council and PCT.

The Trade Union Facilities Agreement is scheduled to be presented at Schools Forum in July.

Key Considerations

- 2 The report is for update only. A further discussion paper on the Trade Union Facilities Agreement will be brought to Schools Forum in July, following the review that is currently being undertaken.

Community Impact

- 3 None

Financial Implications

- 4 None

Legal Implications

- 5 None

Risk Management

- 6 Risk will be determined through the Trade Union Facilities Agreement review.

Consultees

- 7 None

Appendices

- 8 None

Background Papers

None identified

