

Consultation on School Funding 2011-12 – Introducing a Pupil Premium.

1. Purpose of the Report

To agree the draft response to the Department for Education (DfE) consultation on school funding and particularly the introduction of a pupil premium.

2. Background

The previous Government on 15 March 2010 launched a consultation on School Funding. The aim was to consider the development of a single transparent formula for the distribution of Dedicated Schools Grant. This was to try and ensure resources were provided in line with relative need and recognition is given to the different costs of educating particular groups of pupils and providing education in different areas. The consultation also talked about a local pupil premium.

As we know a new UK Government took office on 11 May and in July announced a fresh consultation. The consultation mainly considers how a pupil premium could be introduced for disadvantaged pupils. The consultation does not contain proposals on developing a new formula but proposes to retain the existing funding methodology for 2011/12.

The consultation document can be found via the following link

<http://www.education.gov.uk/consultations/index.cfm?action=consultationDetails&consultationId=1723&external=no&menu=1>

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3 Pupil Premium

- 2.1 One of the Coalition Government's key priorities is to introduce a pupil premium to support disadvantaged pupils, who continue to underachieve when compared with their peers. The Government plans to introduce the pupil premium in September 2011 to support disadvantaged pupils from Reception to Year 11. Schools will decide how the premium is used to support the attainment of disadvantaged pupils. The intention is to allocate the funding by means of a separate specific grant and not through the Dedicated Schools Grant (DSG).
- 2.2 The consultation document suggests that the premium will overcome the current inequalities in funding Local Authorities for deprivation but does not expand further on those inequalities.

- 2.3 Looked After Children (LAC), who generally have poor attainment, will be covered by the pupil premium using a separate process via local authorities since deprivation indicators do not generally pick them up accurately.
- 2.4 The consultation document's main theme is which indicators should be used for the premium, the following options are proposed
- Free School Meal entitlements at the census date
 - A so called "ever" Free school Meals eligibility, which means a pupil would be counted if they received a free meal entitlement over the last three or six years
 - Pupils in families in receipt of out of work tax credit
 - ACORN or MOSAIC data

The later two are geographical based indicators identifying groups of households based on consumer behaviour.

- 2.5 No announcement has been on the level of the pupil premium, this will not be made until after the October spending review. The suggestion is that it will not be fully funded straight away and only will be when it is affordable by central government. The consultation documents demonstrate the effect of the phasing over a four year period.
- 2.6 The Liberal Democratic manifesto originally talked about investing £2.5 billion into the per pupil premium with around 1 million pupils with a free meal entitlement attracting £2,500 per pupil. The current funding assumed within the DSG for deprivation is £3 billion. The current funding Lewisham receives for deprivation is £25m. It would seem highly unlikely that with the current well known state of the country's finances that in the early years of the phasing there will be the scope to find these significant level of resources. If a quarter is found the rate of funding would £600 per free meal entitlement.
- 2.7 The funding to be received by each Local Authority will be calculated by
- A) Multiplying the indicator (say free meal entitlements) used by a notional rate of funding
 - B) This will be then increased for any Local Authority to which the Area cost adjustment is applicable to.

Then

- C) The current level of funding received by the Local Authority for deprivation funding is deducted from this,

D)The difference (the result in C above) is then phased in over a number of years

The funding received in the first year will be

C (the current level) Plus D (the phased increase)

- 2.8 Over time, this will mean that the same amount of funding will be available for deprived children no matter where they live apart from the area cost adjustment. It is possible that some authorities may not receive any funding as their current funding for deprivation is above the pupil premium. It is planned to protect these authorities.

3 Other Consultation Issues

3.1 Funding Arrangements for 2011-12

To provide stability and clarity the Government is proposing to retain for 2011-12 the current system for allocating the DSG, based on the "spend-plus" methodology. The intention is to mainstream relevant grants into the DSG but to allow local authorities to use previous levels of grant as a factor in their local formulae to support stability in funding at school level.

3.2 Three Year Old Top-ups

The current funding system provides that if your take-up of the free early years entitlement for three year olds is less than 90% of your population then you are still funded at your 90% level. The consultation seeks views on whether funding for three year olds should reflect actual take up or continue to reflect a minimum of 90% participation where lower. This only has a marginally effect for Lewisham as currently we have only 8 pupils under the 90% limit. This equates to us receiving £18k that we would not receive if the change was implemented.

3.3 Dual Registration

The proposal is to cease to provide DSG for dual registrations of pupils registered at pupil referral units. This was expected as it was considered in the last consultation, in fact this is not a policy change rather a change due to the improvement in the collection of data which allows dual registrations to be identified. It is anticipated that the loss to Lewisham will be £200k, although other Local Authorities are facing greater losses.

3.4 Home Tuition

There is a commitment to provide some financial support to Local Authorities to reflect some of the costs of supporting pupils taught at home, this will be at 10% of the per pupil funding rate. Currently we have about 150 pupils who are taught at home and our funding rate would be £600 per pupil. This would mean under the proposals we are likely to receive £90k.

4. Next Steps

The consultation runs from 26 July to 18 October - 12 weeks. The intention of the DfE is to give indicative DSG allocations for 2011-12 to local authorities, and to announce the level of the pupil premium for each local authority, in November or early December, following the Comprehensive Spending Review announcement on 20 October 2010. There is a commitment to work with partners to review the methodology for funding academies from 2011-12.

5. Areas of concern

It is difficult to interpret and therefore put into context the proposals, as no financial effect is given to the different indicators being suggested for the pupil premium. Indeed the disadvantage and advantages of each are not fully explained.

Clearly the fact that the proposal maintains the area cost adjustment (ACA) is essential to Lewisham as our current funding has a uplift of 29% to reflect the extra costs of being an inner London Borough. Although it must be noted with caution that the overall ACA for the Borough is being consulted on by the Department for Communities and Local Government and there could be changes in the future. Whether this will be reflected in the pupil premium ACA is unknown.

As we all know we are in a period of economic restraint where reductions are being proposed to Local Government expenditure in the range of 25% to 40%. The economy of Lewisham is based on a large part of the population working in the public sector; either working in the borough or outside. Undoubtedly with these reductions there will be more families out of work and the likelihood of greater deprivation. It would seem not only appropriate but advantageous that any indicator that was used was up to date to reflect these changes. Logically the assumption would be that the out of work tax credit indicator would be the most appropriate. However in fact the only data on this currently relates to 2005 which would mean that the above economic circumstances would not be reflected. Free meals entitlement numbers would be taken from the January census data and updated annually and would therefore be the most up to date indicator in the current climate.

The document does not discuss actual needs of deprived pupils; the pupil is either tagged "deprived" or not. This does not take into account

the incidence of deprivation which influences the costs for schools in high areas of deprivation.

Needs and free meals do not have a linear relationship. If a school has a class of the 30 and 1 pupil has a free meal there is probably no extra costs being incurred by the school, indeed this may be true for say 5 pupils. However when this number reaches 10 the costs may escalate as extra staff are employed such as learning support assistant. Further, if the number reaches 20 or 30 extra teachers or much smaller classes maybe needed

It would seem that the effect of the pupil premium funding schools with small numbers of children eligible for free school meals would be to dilute the resources to the detriment of areas of high deprivation. In fact in Lewisham this is recognised in the deprivation funding factors; both the mainstream schools percentage based AEN allocation and the early years deprivation factor do not fund below a certain incidence. Further, in both these areas, those settings with a large percentage of their pupil population on free meals receive enhanced funding to reflect the cost of high incidence.

The DfE proposals are fairly simplistic, a pupil either attracts funding or not. Therefore it assumes all need is the same and does not take into account the multiple layers of deprivation such as mobility, language, neighbourhood and peer groups.

The proposal to use Free Meals “ever” (i.e. to count a pupil so they attract deprivation funding if they have a free meal entitlement in either the last three or six years) would provide funding for those pupils who may fall in and out of need. Although it dilutes the funding for those pupils who are only entitled to funding for one year and whose needs may not be that significant to warrant resources over the three or six year period.

It is difficult to say what the exact effect of the proposal on Lewisham would be. The consultation provides no financial modelling and the national datasets we have are not necessarily robust, as they are not subject to a high level of audit. Our own calculations suggest both free meal entitlements and out of work families tax credits would provide slightly more resources to us. The more difficult question is whether we are receiving our fair share and is it sufficient to meet our needs.

The current funding system is based on a historical funding formula that existed in 2005/6. The formula took into account family tax credits, (funding was only received over a set threshold level, so low levels of need were not funded) and the number of pupils with English as an additional language. Neither of these factors are included in the new proposed formula, so proportionally our share of the funding cake will decline.

The advantages and disadvantages of each indicator is shown in Appendix A.

4. Consultation response

A draft response form is shown in Annex B for members to comment on.

5. Conclusion

It is essential that we ensure that the Dedicated Schools Grant is allocated to all pupils as fairly as possible. The danger with a consultation document like this is that we could be disadvantaged and we need to make sure the children of Lewisham's needs are fully met. Certainly the fact that children with EAL have been funded in the past but will not be in future will be to our disadvantage. Any system needs to reflect real need but be responsive to that need. It is disappointing that the consultation contains no details on how the proposals may effect individual local Authorities and does not help putting the principles into context.

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