



Haringey Council

The Children and Young People's Service

Report to Haringey Schools Forum 23rd September 2010.

**Agenda Item
11**

Report Status

For information/note
For consultation & views
For decision

Report Title: The National School Funding Methodology 2011-12

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Purpose:

To report on:

- 1.The DfE's proposed changes to the Dedicated Schools Grant methodology for 2011-12 and where applicable the proposed joint response to consultation.**
- 2.The Government's proposal for a Pupil Premium and the proposed joint response to consultation.**

Recommendations:

- 1.That the proposed changes are noted.**
- 2. That Haringey Council and the Haringey Schools Forum return a joint response to the consultation.**
- 3.The responses set out in Annex C are endorsed.**

1. Background and Introduction.

- 1.1. The Dedicated Schools Grant (DSG) is a ring-fenced government grant and is the major source of education funding. The present method of allocating this grant is known as 'spend plus' and is based on the education budgets set by Local Authorities (LAs) in 2005/06. These budgets were based on a needs assessment that included an Area Cost Adjustment (ACA) designed to compensate LAs facing higher costs, primarily in staffing budgets.
- 1.2. The ACA in London awards a significantly higher weighting to inner London boroughs than to those, such as Haringey, classed as outer London. As Haringey has many of the characteristics of an inner London borough, including the statutory requirement to pay teachers inner London weighting, Haringey's Council and Schools Forum saw this as disadvantaging the children of Haringey.
- 1.3. The previous Government planned to reintroduce a needs based methodology in April 2011 and consulted in spring 2010 on what factors should be included. Haringey's Council and Schools Forum mounted a major campaign in support of a fairer ACA; school governors, staff and parents strongly supported the campaign and the Department for Education received more than 1,600 responses in its support.
- 1.4. Disappointingly, the new Government has decided to continue with the 'spend plus' methodology for a further year. This is to allow the introduction of the Pupil Premium, see Section 3 below, without the disruption associated with distributional changes.
- 1.5. In the longer term, the Government wants:

' – to bring in a simpler and more transparent funding system. This should help reduce the funding differences between similar schools in different areas.'

- 1.6. The outcome of the spring consultation, available at,

<http://www.dcsf.gov.uk/consultations/index.cfm?action=conResults&consultationId=1709&external=no&menu=3>

and comments made in the Pupil Premium Consultation Document provide strong evidence that any future changes will include an ACA that addresses the current anomalies in the London ACA. These references, brought together in Annex A, are numerous and emphatic and show the significant impact that the 'Fair Deal' campaign has had.

2. Changes for April 2011.

- 2.1. The changes the Government are proposing for 2011-12 are included in the same consultation document that introduces the Pupil Premium, see 3.2, and are set out in the following paragraphs. Not all of the changes form part of the consultation, but where they do the proposed joint response from Haringey Council and the Haringey Schools Forum are included in Annex C.
- 2.2. The Government will incorporate certain specific grants within the DSG allocation, subject to the outcome of the autumn spending review. The DfE will allow LAs to use current grant allocations as a factor in local funding formulae to prevent turbulence at school level. The grants are likely to be:
 - School Standards Grant (SSG),
 - School Standards Grant (Personalisation) (SSG(P)),
 - School Development Grant.

Our response to the spring consultation recommended the exclusion of the Ethnic Minority Achievement Grant from the mainstreaming proposals and it seems likely that this will remain a specific grant.

- 2.3. The Early Years Single Funding Formula will be a national requirement from April 2011.
- 2.4. The consultation document states that the Government will continue to work on the funding implications of academies and free schools and in particular on the relationship with LA funding for central services.
- 2.5. The Government explores two possible changes to the pupil count. At present, the DfE provides supplementary funding through the DSG if the number of three year olds accessing the free entitlement is below 90%. The Government is seeking views on whether this should be discontinued. Views are also sought on whether funding for dual registration subsidiary places should end.
- 2.6. The document also sets out proposals to allow LAs to claim additional funding for schools that suffer material reductions in pupil numbers due to the movement of service families. It also proposes that LAs be able to claim funding for services provided for children educated at home.
- 2.7. The final section of the document considers protected funding for schools and LAs. The Government plans to retain the Minimum Funding Guarantee but will not announce at what level until after the spending review. It states that it wants to introduce a more flexible system; less dependent upon historic funding levels and that the MFG could be negative. If the proposals set out in 2.2 go ahead, the baseline for the MFG will include historic levels of grant funding. The pupil premium will be applied after the calculation of MFG. The consultation also seeks views on retaining the existing cash floor for LAs. This protects LAs with

falling rolls from a reduction in cash funding. It involves very few LAs and a small sum of money.

3. The Pupil Premium.

- 3.1. One of the Government's key priorities is to reduce the attainment gap between pupils from more and less deprived backgrounds. It proposes to introduce a Pupil Premium in September 2011 to support disadvantaged pupils in reception to year 11 classes in support of this priority.
- 3.2. The DfE are consulting between 26th July and 18th October on the methodology for allocating the premium. The government will not announce the value of the premium until the current spending review is complete, but state it will be funded 'using additional resources from outside the schools budget.'
- 3.3. The main elements of the consultation are set out in this report and Annex C contains the proposed response. The full consultation document can be accessed at:
www.education.gov.uk/consultations/
- 3.4. The DfE will pay the Pupil Premium to LAs as a specific grant based on figures from the previous January school census. The LA must pass this 'in its entirety to maintained mainstream schools using specific defined per pupil amounts'. The Government intends in the future to incorporate the Pupil Premium into a new schools funding formula as the main mechanism for allocating deprivation funding.
- 3.5. School governing bodies will be free to decide how to use the premium to support their pupils. The Government will help them by publishing 'information and evidence about what works' and data about the attainment of disadvantaged children, so that 'parents and others can judge how well they are doing at each school'.
- 3.6. The Government intends that every pupil from a deprived background receives equal support, subject only to an ACA. As the current funding system provides varying amounts per pupil, the Government plans to compensate for differences by providing a higher premium in areas that currently receive lower levels of funding. The difference will be progressively reduced over, for example, four years.
- 3.7. The ACA proposed is one that 'takes into account the pay band geographies, such as a "Hybrid" approach which was strongly supported during the consultation on the DSG review.'
- 3.8. The consultation considers three main indicators that could be used to allocate funding:
 - Eligibility for Free School Meals (FSM), using either current eligibility or those pupils that have been eligible at any time in a specified period such as the last three or six years, or

- Tax Credit Indicator, for pupils in families in receipt of out of work tax credit, or
- The use of commercial packages such as Mosaic or Acorn.

3.9. The perceived advantages and disadvantages of the options are set out in Annex B to the consultation and are attached to this report.

3.10. A simple analysis of Haringey's relative placement among London boroughs, taking account of pupil populations and the proportions of pupils meeting the eligibility criteria for the first two options (including those eligible for FSM currently and over the last three and six years) indicates that tax credit is the most beneficial to Haringey, followed by current eligibility for FSM. However, the more up to date and transparent nature of FSM is a strong factor in its favour.

3.11. The consultation also proposes extending the premium to cover Looked After Children (LAC) and, at a lower level of support, to children from service families.

4. Recommendations.

- 1. That the proposed changes are noted.**
- 2. That Haringey Council and the Haringey Schools Forum return a joint response to the consultation.**
- 3. The responses set out in Annex C are endorsed.**

References to Area Cost Adjustment.

Consultation on the Future Distribution of School Funding – Summary of Consultation Responses.

A total of 3,148 responses were received, 2,658 of which were in the form of responses and petitions from residents of Haringey and Newham, supporting a 'hybrid' approach to the Area Cost Adjustment (Question 14 of the consultation). 22 members of the '4in10' project in Newham also sent in a submission supporting the hybrid approach. A separate 93 responses were received in a petition from Devon seeking 'Fair Funding' for that county.

There was a lot of interest in the issue of the fairest method of applying the Area Cost Adjustment. There were campaigns in Newham and Haringey which have significantly increased support for the hybrid option. However, even without the campaign responses the hybrid option still received most support (60%).

Chapter 6 – Area Cost Adjustment

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?

2,814 responses (including the campaigns from Haringey and Newham)

2% GLM	96 % Hybrid	2% Not sure
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261 responses (excluding the campaigns from Haringey and Newham)

16% GLM	60% Hybrid	25% Not sure
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Comments made

Responses to this question were dominated by the campaigns and petitions – mainly from residents in Haringey and Newham who strongly supported the hybrid approach. This would, they felt, go some way to addressing an historical anomaly under which they are funded using an outer-London ACA for DSG purposes, whilst being required to pay inner-London teacher salaries.

Even without the large number of responses by the campaigns, however, the hybrid option was still the most popular, with the majority feeling that it was both fairer and easier to explain than the GLM. Some respondents, however, felt that there should not be any ACA (apart from an inner-London addition), and/or that the amount paid

was too high and drained funding away from the basic entitlement. A number supported the GLM, arguing that it had the broadest recognition of variances faced by all local authorities and schools, and that as teachers are part of the wider labour market the GLM method should adequately reflect differences across the country.

Consultation on school funding 2011-12.

We intend to include an ACA in the methodology to reflect the need for schools in some areas to pay higher salaries to their staff. The Government recognises that there has been an issue around the ACA and, in particular, that the General Labour Market geographies, which underpin the DSG methodology, do not align with pay bands used for the teachers' pay calculations. This is a particular issue for the six London authorities that are treated as inner London for pay band purposes while being classified as outer London in the GLM methodology. We propose that the ACA to be applied to the pupil premium should be one that takes into account the pay band geographies, such as a "Hybrid" approach which was strongly supported during the consultation on the DSG review.

The Area Cost Adjustment which underpins the spend-plus methodology, based on the General Labour Market approach, does not fully align with the pay bands used to determine teachers' pay. This has been a particular issue for the six local authorities in London required to pay inner London teachers' pay while being funded as outer London boroughs. During the consultation started by the previous government, strong support was expressed across the affected local authorities for a change to the way the ACA is calculated. The continuation of the existing funding arrangements will mean that the current ACA arrangements will remain for 2011-12. The Government recognises that this will be disappointing for those areas but plans to resolve the issue in the longer term as a new approach to school funding is developed.