

Consultation on school funding 2011-12

Introducing a pupil premium

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Ministerial Foreword

A good education is the key to improving young people's life chances; to enable them to progress into adulthood with the skills and confidence for success. This is particularly true for disadvantaged children, who are far less likely to leave schools with good GCSE results than other children. Yet it is these pupils that are being let down the most by the current school system.

Over the past decade, the gulf in achievement between the rich and the poor has widened, while the attainment gap between fee-paying schools and state schools has doubled.

In the last year for which we have data, out of a cohort of 600,000 pupils, 80,000 pupils were eligible for free school meals. And of those, just 45 made it to Oxbridge. And at the same time, just 2 out of 57 countries now have a wider attainment gap between the highest and lowest achieving pupils.

This is not good enough and addressing this disparity is a top priority of the coalition government. It is for this reason that we are implementing a pupil premium, to ensure that extra funding is targeted at those deprived pupils that most need it.

The Coalition: our programme for government set out our intention to fund 'a significant premium for disadvantaged children from outside the schools budget'. This consultation sets out our proposed methodology for allocating such a premium, including options on the best deprivation indicator to use. This money will not be ring fenced at school level as we believe that schools are in the best position to decide how the premium should be used to support their pupils.

We have also included proposals to ensure that Looked After Children, who have consistently low attainment but are often not picked up by deprivation indicators, benefit from the pupil premium.

Furthermore, we are honouring our commitment to rebuild the Military Covenant by exploring the potential for extending the scope of the pupil premium to include additional support for service children.

In addition to consulting on the pupil premium, this document also sets out our intentions for school funding for 2011-12. We will continue with the current methodology for the distribution of school funding to allow for a clear and transparent introduction of the pupil premium. But we also recognise that the funding system should reflect pupil characteristics more closely and so we intend to review the system for funding schools beyond 2011-12.

Furthermore, from April 2011 we will require all local authorities to implement the Early Years Single Funding Formula, in order to improve fairness and transparency in the system and to support diversity of provision.

School funding, like other areas of public spending, will of course be part of the Chancellor's spending review considerations and overall levels of funding for schools will not be known until after 20th October. We will be able to provide more detailed funding figures, including

for the pupil premium, after this date.

Our policy for schools and for school funding will be built on our Coalition principles of freedom, fairness and responsibility. It will not be based on the principle of throwing money at the problem and hoping for the best but on a coherent strategy of targeting resources wisely and where they are most needed to achieve the best outcomes. We want a simple and transparent formula that schools can understand and can recognise clearly what the funding priorities are.

Finally we should stress that this is an important document which sets out our plans for school funding, which will affect the budgets of all schools. We hope that interested parties will take the time to read this and respond.



Michael Gove
Secretary of State for Education

Sarah Teather
Minister of State for Children and Families



Executive Summary

This document sets out proposals for distributing funding for schools in 2011-12. It puts forward options for how the Government's policy to introduce a pupil premium for disadvantaged pupils should operate and seeks views on the overall funding methodology for next year.

The level of funding for schools for 2011-12 will be determined once the outcome of the Government's spending review is announced on 20 October 2010. In reaching decisions there will be a balance between taking urgent action to manage the public finances, while protecting the most vulnerable and recognising that education faces particular pressures.

Pupil Premium

One of the Government's key priorities is to introduce a pupil premium to support disadvantaged pupils, who continue to underachieve compared with their peers. Funding for the premium, which will be introduced in September 2011, will come from outside the schools budget to support disadvantaged pupils from Reception to Year 11. Schools will decide how best to use the premium 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). The size of the premium will vary between areas to reflect current differences in funding, ensuring that more money is available for currently lower funded authorities. Over time, this will mean that the same amount of funding will be available for deprived children no matter where they are. We are seeking views on the indicator to determine which pupils should attract the premium.

Looked After Children (LAC), who generally have poor attainment, will be covered by the pupil premium using a separate process since deprivation indicators do not generally include them.

We will explore the scope for extending the pupil premium to include Service children.

Funding arrangements for 2011-12

To provide stability and clarity in funding and to ensure the transparent introduction of the pupil premium, 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 ensure stability at school level we will allow local authorities to use previous levels of grant as a factor in their local formulae.

Views are being sought on a number of proposals: whether from April 2011 the pupil count for three year olds should reflect actual take up or continue to reflect a minimum of 90% participation; whether to cease to provide DSG for dual subsidiary registrations at Pupil Referral Units; and whether to remove the current cash floor provisions which protect authorities with falling pupil rolls.

Local authorities which have yet to do so will need to implement an Early Years Single Funding Formula from April 2011.

We will also work with partners to review the methodology for funding Academies from 2011-12.

We will allow local authorities to apply for additional funding for schools with large numbers of service children and which face falls in pupil numbers due to Armed Forces movements, and also for home educated pupils.

The Government's intention for the longer term is to bring in a simpler and more transparent funding system. This should help reduce the funding differences between similar schools in different areas. We will work with key partners to consider how best to bring this about.

Next steps

The consultation runs from 26th July to 18th October – 12 weeks. We are aware that this period includes the summer break. Unfortunately we cannot extend the deadline for responses as we need to give sufficient time for the calculation of local authority and school budgets. We intend 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 20th October 2010.

Introduction

1. This document sets out proposals for the distribution of school funding for 2011-12. It supports the Government's objectives, principally the introduction of a pupil premium for disadvantaged pupils from September 2011. It seeks views on the overall funding methodology and puts forward options for how certain elements of the pupil premium should operate.
2. The Government has made clear its intention to introduce a pupil premium for disadvantaged pupils up to the age of 16. Such pupils significantly underachieve compared to their peers and a premium, which would involve providing additional funding specifically linked to disadvantaged pupils, would have the primary objective of boosting their attainment. Funding for the premium will come from outside the schools budget. It will be for schools to decide how best to use the premium to support the attainment of disadvantaged pupils. The premium will not apply at this stage to early years, partly due to data constraints, but the Government is exploring the scope to extend the pupil premium to early years pupils in the future, subject to Spending Review decisions and an assessment of the value for money case. In doing so, we will consider the balance of the premium between different phases of education.
3. To support the introduction of the pupil premium the Government is proposing to retain for 2011-12 the current system for allocating the Dedicated Schools Grant (DSG), using the spend-plus methodology. This will help to provide stability and clarity for schools in the forthcoming year and will aid the transparent introduction of the pupil premium, ensuring it is visible to all schools.
4. The Government is aware of the previous consultation issued in March 2010 on the future distribution of school funding and is grateful for the work of partners in developing proposals. It has considered the consultation responses in the context of its own aims and objectives about how schools should be funded, in particular that a less complicated system can and should be developed. It supports proposals to mainstream grants into the DSG as a step on the way to reducing the complexity of the system and accepts some of the principles that were put forward. An analysis of the consultation responses is available here:
<http://www.dcsf.gov.uk/consultations/index.cfm?action=conResults&consultationId=1709&external=no&menu=3>
5. Longer term the Government is looking to bring in a simpler and more transparent funding system and will work with key partners to consider how best to bring this about. In particular, it is our intention to introduce a fairer, formulaic basis for distributing funding and to reduce differences in funding between similar schools in different areas. In developing proposals we will consider the previous work of the Formula Review Group.
6. It is not possible to say at this stage what the overall level of funding will be for 2011-12 and beyond. The Government has recently launched its spending review, the outcome of which will be announced on 20th October 2010. The Government has, however, made clear that its first priority is to tackle the unprecedented deficit that the nation faces. As with other public services, there will be difficult decisions about the level of funding for

schools over the spending review period. In reaching decisions there will need to be a balance between taking urgent action to manage the public finances, while protecting the most vulnerable and recognising that education faces particular pressures.

7. We are unable to exemplify the funding levels for individual local authorities until the spending review is complete. However, the consultation puts forward the principles for distributing the funding between areas. We intend to announce indicative 2011-12 allocations to local authorities in November or early December 2010 in line with previous practice.
8. There are two sections to the paper:
 - Section 1 – Introducing a pupil premium for disadvantaged pupils; and
 - Section 2 - Methodology for allocating school funding for 2011-12.
9. The proposals in this document apply to **England** only.

Section 1

Introducing a pupil premium for disadvantaged pupils

10. Children from disadvantaged backgrounds often do not do as well at school as they could or should. Young children who start off in the bottom 20 per cent of attainment in the Early Years Foundation Stage Profile are 6 times more likely to be in the bottom 20 per cent at Key Stage 1 than their peers. For disadvantaged pupils, a gap opens at KS1 and increases over time. By the end of KS4, a pupil not entitled to free school meals (FSM) is over 3 times more likely to achieve five good GCSEs as one who is entitled. Just 2 out of 57 countries now have a wider attainment gap between the highest and lowest achieving pupils.
11. The statistics are shocking. In 2009:
 - 53% of the Key Stage 2 (KS2) pupils known to be eligible for FSM achieved the expected level in both English and mathematics compared to 75% for non FSM pupils, a gap of 22% - virtually the same as the previous year.
 - At KS4 just 27% of pupils eligible for FSM achieved 5A*-C GCSEs or equivalent, including English and mathematics, compared to 54% for pupils not eligible for FSM.
 - 33% of pupils in the 10% most deprived areas achieved 5 or more GCSEs at grades A*-C or equivalent including English and mathematics, compared with 72 percent in the 10% least deprived areas.
 - around 40% of pupils eligible for FSM at KS4 were also identified with Special Educational Needs.
12. Gaps persist through all stages of education, including entry into Higher Education. A pupil from a non-deprived background is more than twice as likely to go on to study at university as their deprived peers. In the last year for which we have data, out of a cohort of 600,000 pupils, 80,000 pupils were eligible for free school meals. And of those, just 45 made it to Oxford or Cambridge.
13. This underachievement has persisted for many years. Despite the increased funding for schools provided under the previous government, the funding currently allocated in the system for deprivation does not always reach the pupils who need it most. This means that these pupils are not getting the extra support they need. Over the past decade, the gulf in achievement between the rich and the poor has widened and the attainment gap between fee-paying schools and state schools has doubled.
14. Every child has potential and can succeed with the right help and support. No barrier should ever be allowed to hold a child back from fulfilling their potential. The Government will empower schools by giving them much more freedom, so they can respond to their pupils' individual needs. We are moving swiftly to remove unnecessary bureaucracy and regulation from schools and to reduce prescription in the National Curriculum. This will allow schools to focus more of their time and attention where it is most needed - on raising the attainment of disadvantaged pupils.

15. Free Schools will provide an opportunity for local parents and communities, including those in disadvantaged areas, to have more of a say about how their schools should be run and where resources and energies should be focused. The Academies programme has a good track record of success working in many of the most disadvantaged areas of the country and we are now opening up the Academies programme to all schools including, for the first time, primary schools and special schools.
16. The Government believes that schools are best placed to assess what additional provision should be made for the individual pupils within their responsibility. So the purpose of the additional funding is to help schools to raise the attainment of disadvantaged pupils and it will be for schools to decide how it should be spent. Schools may, for example, use the money to provide extra support for disadvantaged pupils to do their homework or provide support for parents to encourage them to engage with their child's learning. The overlap of deprivation and SEN means that the pupil premium will also help schools to provide additional support to pupils with SEN. Furthermore, there may be pupils that schools consider to be educationally disadvantaged and in need of extra support, but who do not attract the premium. This might include for instance children not on the previous year's census, or those with SEN who are outside the scope of the indicator chosen. Schools could of course include those pupils, and others, in their plans for the use of the additional money.
17. The Government will help schools to decide how best they can use the money to raise pupil attainment by publishing information and evidence about what works, including about the impact of new and innovative practice. The Government will also want to monitor the achievements of disadvantaged children who are likely to benefit from the premium. The transparent nature of the allocation should make it easier for schools to devise strategies for improvement. We are giving schools the freedom to decide how to use the pupil premium to improve the attainment of disadvantaged pupils, and we will look at the most accessible way to publish data about the attainment of disadvantaged pupils, so that parents and others can judge how well they are doing at each school.

The Operation of the Pupil Premium

18. This section is about how the pupil premium will operate, and in particular:

- How the premium will be funded;
- How it will be distributed;
- How it will be calculated;
- Which deprivation indicator to use.

Funding for the premium

19. The Government is determined to address the current inequalities that exist for deprived pupils to ensure that they have a better chance of success. It believes that this is best achieved through a pupil premium using additional resources from outside the schools budget.
20. It is not possible at this stage to specify the amount of funding available for the pupil

premium. Like other areas of spending, it is subject to the spending review considerations, the results of which are due to be announced on 20th October.

Method of distributing the premium

21. To ensure that the funding available through the premium is clearly identifiable and can be easily targeted at the relevant pupils, the Government is intending to distribute the premium as a separate grant outside the DSG. The grant will be available from September 2011.
22. The grant will be paid to local authorities based on figures from the previous January school census. Conditions of Grant will require local authorities to pass it on in its entirety to maintained mainstream schools using specific defined per pupil amounts, for every relevant pupil in years from Reception to Year 11 (4-15 year olds on the census). In the case of Academies, the Young People's Learning Agency (YPLA) will pay the grant at the same level as other schools within a local authority area.
23. Longer term the intention is that the premium will become the main mechanism for allocating deprivation funding to schools, as part of a new formula, rather than continuing as a separate grant.

How the premium is calculated for each local authority area

24. The simplest way of calculating the premium would be to assume that each deprived pupil would receive the same level of funding as the premium builds up regardless of where they live. However, the existing system currently delivers significantly different levels of funding for pupils around the country, which would not be recognised by this approach.
25. The Government believes it is right to recognise differences already in the system for funding deprivation. Whilst it is not possible to say at this stage what the level of the premium will be, the proposed methodology involves increasing the amount over time so that the amount allocated to local authorities and schools in total for each deprived pupil will be the same around the country, subject to an Area Cost Adjustment (ACA). This total would incorporate the general unit of funding, additional grants to be mainstreamed, and the pupil premium. Therefore the size of the pupil premium will vary from area to area depending on their current level of funding.
26. As the premium is built up, this would compensate for differences in funding by providing higher funding for schools with deprived pupils in areas that currently receive lower levels of funding. If the total amount of funding available for the pupil premium means that the basic allocation for one or more local authority is above the target level for the premium, the Government will consider the case for applying a minimum premium to those authorities.
27. 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.

28. The charts at Annex A illustrate how the pupil premium will be calculated.

The deprivation indicator for the pupil premium

29. Several indicators for measuring deprivation which could be used for distributing the premium currently exist. The Government is keen to hear views about which indicator would be most suitable. The aim is to use the indicator that best represents the pupils that need to be targeted because of additional educational need caused by socio-economic deprivation.

30. The options being considered are:

- Free School Meal eligibility – which could be current eligibility or a measure of whether a pupil has **ever** been eligible for FSM;
- Tax Credit Indicator – pupils in families in receipt of out of work tax credit; and
- Mosaic or Acorn – commercial packages used by some local authorities which are based on classifications of postcodes.

31. We are not considering using reported SEN as an indicator, due to wide variations in reporting and identification practices. However, the central focus of the pupil premium is to raise the attainment of disadvantaged pupils, and the strong link between high incidence SEN and deprivation means that the pupil premium will be targeted at a significant number of pupils with SEN.

32. To ensure the premium is as effective as possible it should be able to target funding at individual pupils. The table at Annex B provides more detail of how each of the indicators operates, what proportion of pupils are covered and the advantages and disadvantages of each option. Consideration of each of the options is set out below.

(i) Current Free School Meals (FSM) eligibility

33. Allocating funding on the basis of FSM eligibility, as recorded on the pupil-level annual school census, has the very substantial benefit that it reflects the specific characteristics of the individual pupil. It is easily collected and is updated annually.

34. There is also a strong link between whether a pupil is registered as eligible for FSM and underachievement. On average, pupils who are eligible for FSM have lower educational outcomes than otherwise similar pupils who are not eligible for FSM, even when controlling for prior attainment. This is also true within schools; FSM pupils tend to make less progress than similar pupils in their school who are not eligible for FSM. FSM gaps within schools tend to be largest where the proportion of pupils eligible for FSM is small; where there are higher proportions of FSM pupils there is, on average, a smaller FSM gap in raw attainment and in progression. The Government is very attracted to FSM as a

measure due to its clarity, simplicity, and pupil-level nature. We would expect that if FSM eligibility is used for the pupil premium, then this may improve the quality of the data.

35. The main issues with this indicator are:

- It is a binary measure that means that those just above the threshold may have similar characteristics and disadvantages but attract no funding;
- It is generally considered that this measure under-reports true levels of deprivation because some families do not claim at all and the proportion claiming a meal falls as pupils get older. Currently 16% of pupils are eligible for FSM which is low compared to other deprivation indicators;
- It currently reflects registered eligibility for free meals rather than actual eligibility; and
- This indicator was not well supported in the previous consultation on the DSG, although the proposal was that it be used to allocate funding to local authorities, where its pupil-level nature was less important.

"Ever FSM" measures

36. An alternative to FSM is an "Ever" FSM measure. This measure would cover a wider cohort as it would include pupils who have been registered as eligible for FSM at any point in the previous three or six years. This would mean that Year 8 pupils, for example, would be included if they had been eligible for FSM at any point between Y3-Y8. This would recognise that pupils do not lose their additional educational needs just because they cease to be eligible for FSM or recorded as so. It may also better reflect children from families who move in and out of low paid work.

37. For each key stage, using an 'Ever' measure of FSM eligibility will pick up a higher proportion of pupils who are identified as underachieving. The table below shows that for all curriculum years the percentage of pupils included when looking at eligibility over the last six years increases significantly to 24% compared to the 16% using current eligibility, as recorded in January 2009 School Census.

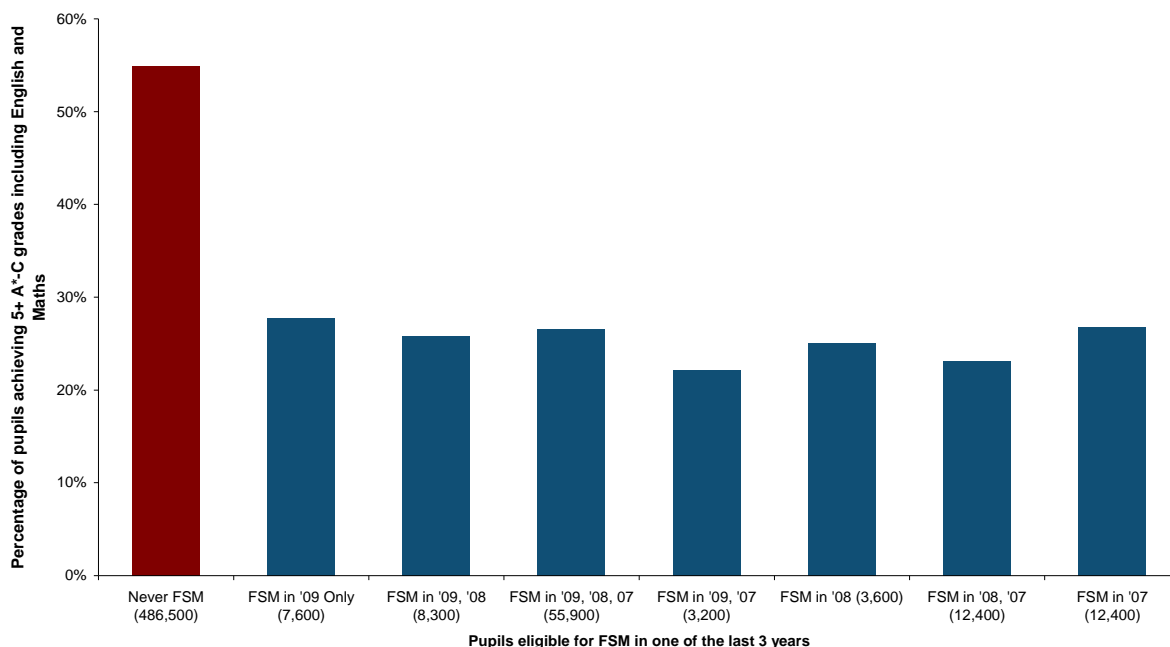
	FSM	Ever FSM - 3 Year	Ever FSM - 6 Year
All National Curriculum Years	16%	19%	24%
R	16%	16%	16%
1	17%	20%	20%
2	18%	22%	22%
3	18%	23%	24%
4	17%	22%	26%
5	17%	22%	27%
6	16%	21%	27%
7	17%	22%	27%
8	16%	21%	26%
9	15%	20%	26%
10	14%	19%	25%
11	13%	17%	24%

(ii) Pupils eligible for FSM in one of the last 3 years

38. This deprivation indicator would include pupils known to be eligible in one of the last three years and would cover 19% of the school cohort. The analysis of attainment of KS4 and KS2 pupils applying this measure is set out below:

Key Stage 4:

Percentage of pupils attaining 5+ A*-C English & maths at the end of KS4 2009 by FSM status in previous years (Number of pupils shown in brackets)

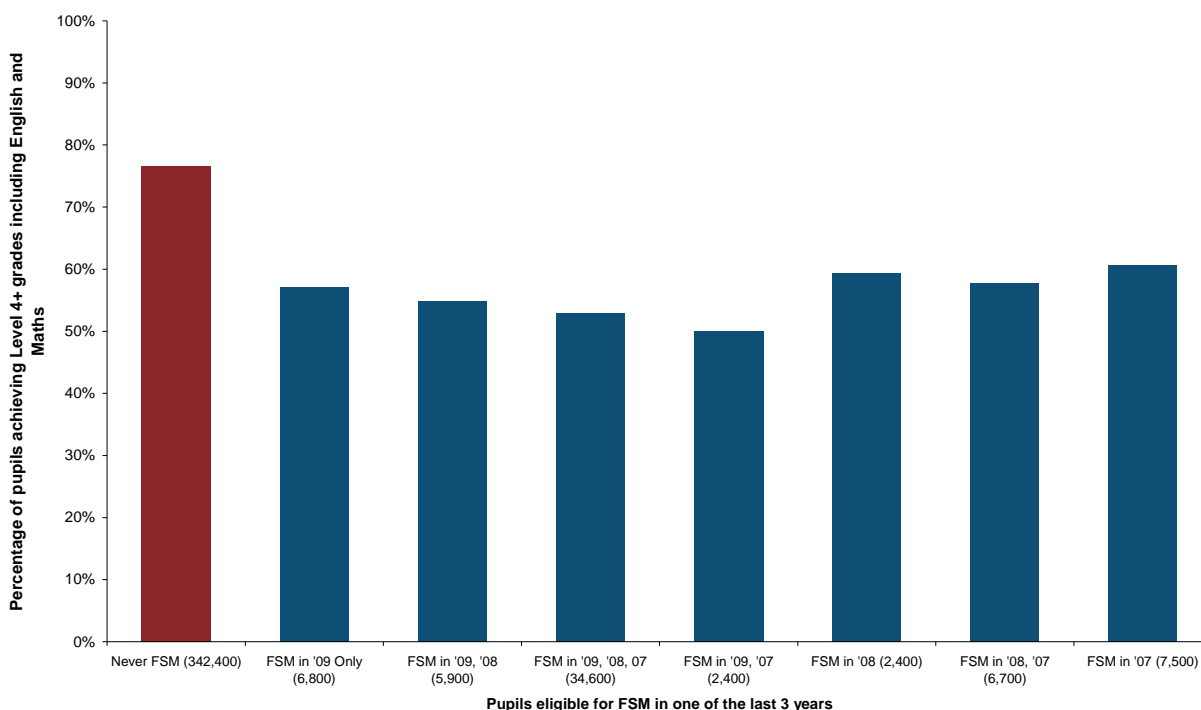


39. The above is an analysis of the 2009 end of KS4 cohort and shows:

- Pupils who were never eligible for FSM (bar on far left) substantially outperform all other groups;
- Those who were FSM at KS4 in 2009 only generally have slightly better outcomes than those who were FSM at some other point. It is known that the percentage of pupils claiming FSM falls as pupils get older and this outcome may reflect the types of pupils who stop claiming in year 11, possibly the more disengaged.

Key Stage 2:

Percentage of pupils attaining Level 4+ English & maths at the end of KS2 2009 by FSM status in previous years (Number of pupils shown in brackets)



40. The above is an analysis of the 2009 end of KS2 cohort and shows:

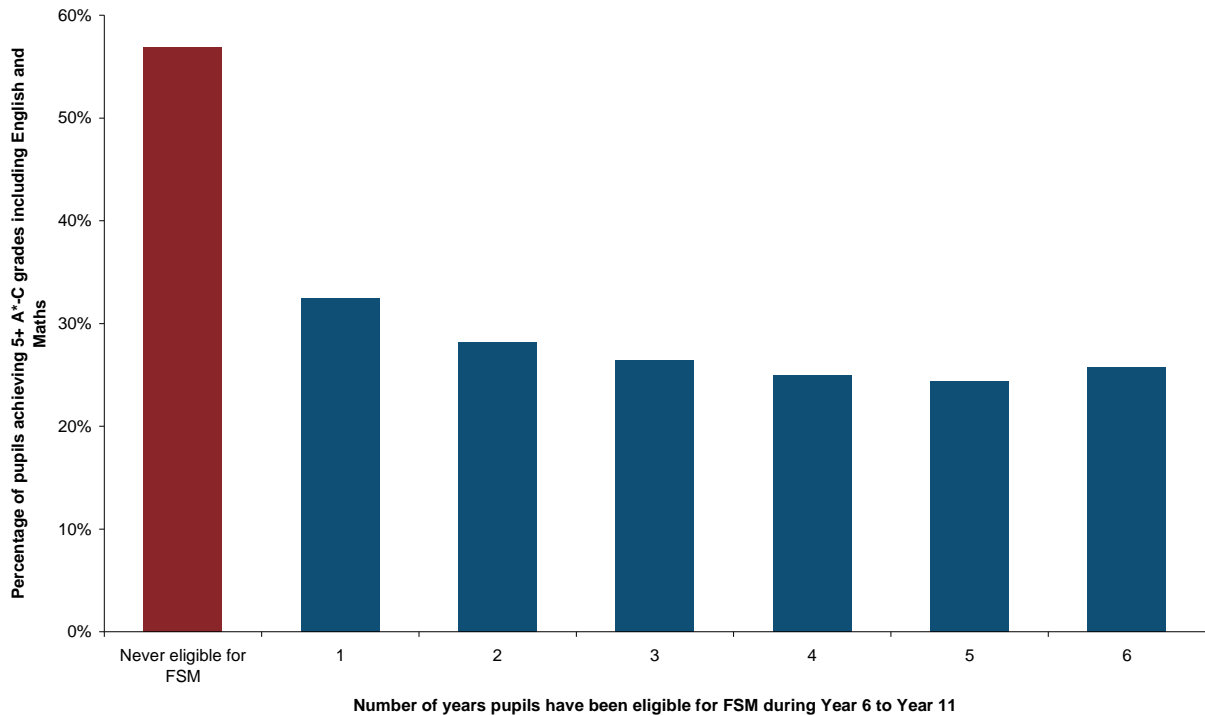
- As with the KS4 cohort, for all categories of FSM there is still an achievement gap between the pupils who were never FSM (77%) and who achieved the expected L4+ in English and maths at KS2 and those who were eligible for FSM at any time in the previous three years;
- Unlike the KS4 cohort, the best outcomes for FSM pupils are not those eligible in 2009, but in the single years of 2007 and 2008.

(iii) Pupils eligible for FSM in at least one of last 6 years

41. This deprivation indicator would include pupils known to be eligible in one of the last six years and would cover 24% of the school cohort. The analysis of attainment of KS4 and KS2 pupils applying this measure is set out below.

42. Evidence shows that generally the longer a pupil has been eligible for FSM the lower the level of attainment. This is illustrated in the graphs below for Year 11 and Year 6 pupils, where pupils who have never been eligible for FSM significantly outperform any category of FSM eligibility.

Percentage of pupils achieving 5+ A*-C including English and maths at the end of Key Stage 4 in 2009 by number of years FSM (Y6 to Y11)

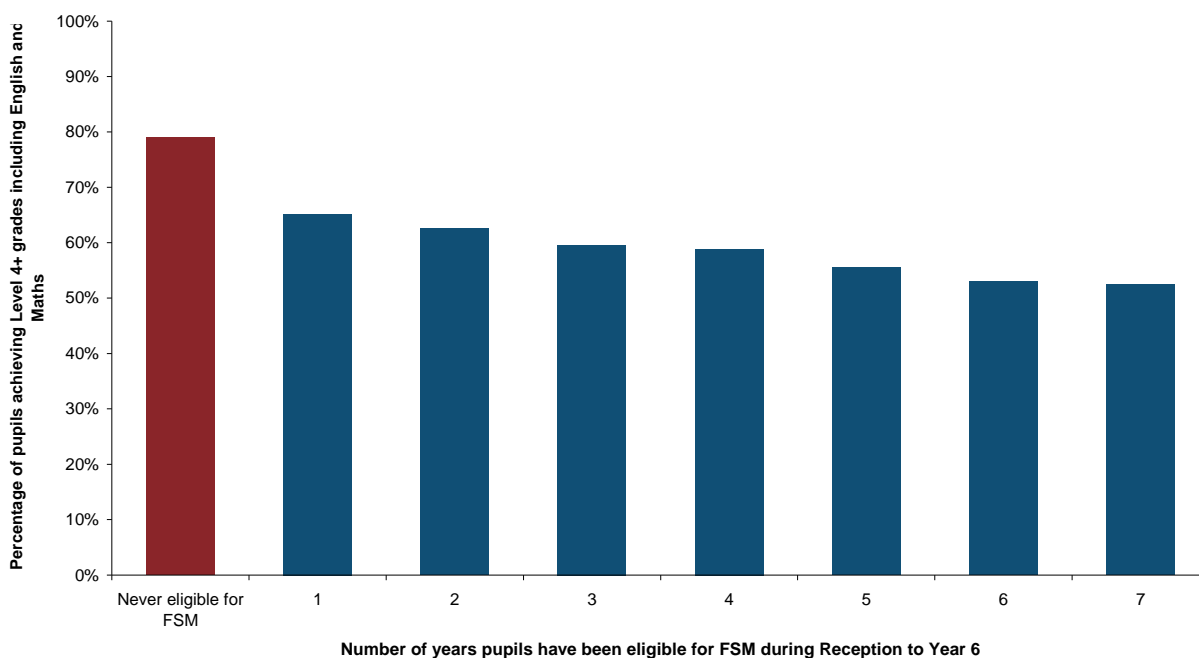


43. The above is an analysis of the 2009 end of KS4 cohort and shows:

- pupils who were never FSM (bar on far left) substantially outperform all the other groups;
- the number of years of eligibility for FSM is generally inversely associated with GCSE attainment, but eligibility at any point is associated with underperformance; and
- the lowest attaining group was not the pupils who had been eligible for FSM right the way through (the far right blue bar); it was the group who had been eligible for every single year other than one (blue bar second from right).

Key Stage 2

Percentage of pupils achieving Level 4+ including English and maths at the end of Key Stage 2 in 2009 by number of years FSM (R to Y6)



- A similar pattern to that for KS4 emerges where eligibility for FSM in any year signals lower attainment.

44. The main issue with this indicator is that as it covers a much higher proportion of pupils than current FSM eligibility it would reduce the level of funding per pupil. Currently, 24% of pupils would be covered by this measure and it is likely that linking additional funding through the pupil premium to FSM eligibility will, over time, increase the proportion of those applying still further. Using this 'Ever' FSM measure may mean that some primary schools would qualify as 100% disadvantaged, as every child will have been eligible for FSM at some point.

(iv) Pupils in families in receipt of Out of Work Tax Credit

45. This measure indicates children from families where both parents are out of work and claiming the out of work tax credit. This is an area based measure, calculated at Lower Super Output Area (LSOA) level. An LSOA is a national census output area averaging 1500 people. An LSOA measure assumes that each pupil takes on the general characteristics of the LSOA in which the pupil resides. This will not be true of every pupil but on average the pupils' circumstances should reflect the circumstances of the area. Just over 20% of pupils are identified as deprived under this measure. This is currently based on data from 2005 and we will explore whether this indicator can be updated.

46. Whilst this measure will be less affected than the FSM measure by the issue of take up we think it is otherwise not particularly well suited to allocating the pupil premium. While area based indicators are adequate for funding at the local authority level, we do not consider them appropriate for a premium, the aim of which is to target funding towards individual pupils. Other measures suggested in the previous consultation on the DSG, such as IDACI and the Child Poverty Index, are also area based indicators and have the same issues. However, we would welcome views on the suitability of this as a deprivation indicator for the pupil premium.

(v) Commercial based packages such as ACORN or MOSAIC

47. These are geographical based measures which are designed to identify groups of households based on consumer behaviour. They involve the classification of postcodes into types based on census and other information:

➤ **ACORN (CACI)** classifies postcodes into 56 types, which in turn are grouped into 17 groups and five categories.

➤ **Mosaic (Experian)** classifies postcodes into 61 types and 11 groups.

48. Like the out of work tax credit indicator, these are also area based indicators and would therefore have many of the same issues. However, we are aware that a number of local authorities currently use one or other of these packages and that it may be possible to amend the classification types outlined above to include education specific categories. We would welcome views on the suitability of either of these packages as a deprivation indicator for the pupil premium.

49. Annex C illustrates the effects of the first four deprivation measures by local authority. It is not possible to illustrate the ACORN or MOSAIC options as the data is commercially sensitive.

50. We will continue to explore the scope to develop a better pupil-level indicator for measuring deprivation in the future, to ensure even more accurate targeting of the pupil premium.

Looked after children

51. The level of attainment of Looked After Children (LAC) continues to be very low. Latest published official figures on outcomes of children looked after for 12 months as at 30 September 2009 show that 15% achieve 5 GCSE or GNVQ equivalent compared to 70% for all children. Furthermore, around 60% of LAC are identified as having SEN. Latest estimates suggest that there were 42,000 children in care aged 5-16 as at 31 March 2009. Because of the nature of care arrangements, these children often do not qualify for free school meals or are included in any of the proposed deprivation indicators, even though they will very often be from deprived backgrounds. Therefore this very disadvantaged group will not be adequately targeted by the main pupil premium mechanism.

52. The Government recognises the need to provide additional support for such children and is seeking views on proposals about how to extend the coverage of the pupil premium to ensure they are targeted effectively.
53. The most obvious solution would be to target funding at schools using the LAC flag on the pupil census. However, there is concern that it does not accurately reflect the LAC population, many of whom may be in care for short periods or come in and out at regular intervals. Figures suggest that even though there are around 42,000 LAC nationally at any one time, around 58,000 LAC aged 5-16 pass through the care system in a typical year. There is also under-reporting because there are instances where a school does not know a child is looked after and is reliant on the local authority with responsibility for the care of the child to tell them. A significant proportion of pupils – some 30% - are placed with carers outside the local authority which looks after them.
54. At individual school level, the numbers will be very small - on average there will be just one looked after child per primary school and around 8 per secondary school, and these children are also more likely than other pupils to move schools during the school year.

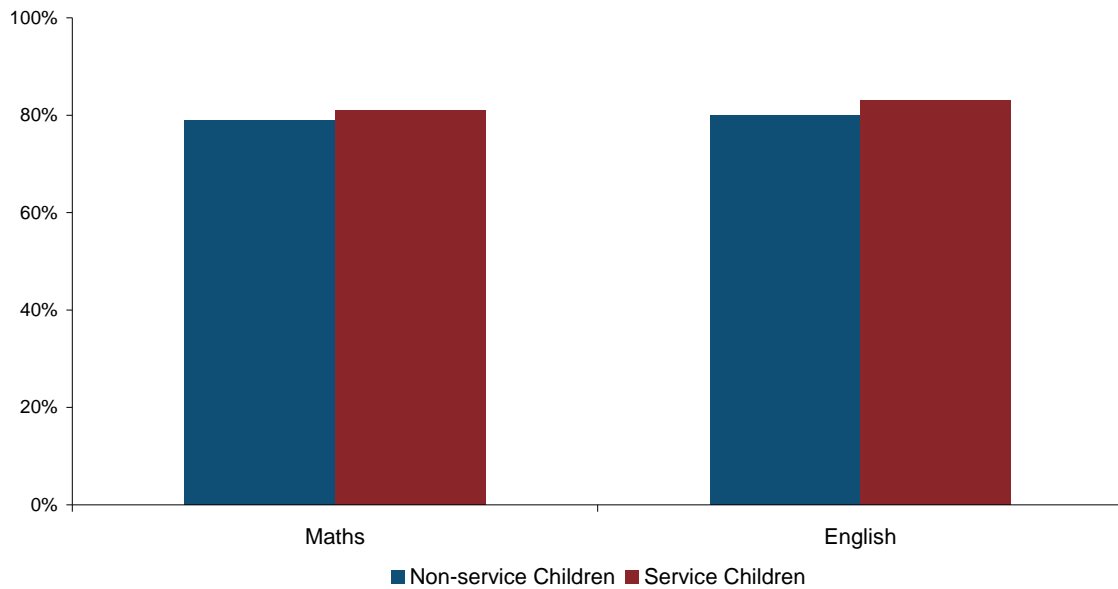
A way forward

55. Due to all these issues, we need an alternative method to ensure this group of disadvantaged children is covered by the pupil premium. Therefore we propose to allocate a LAC element of the pupil premium to local authorities for them to pass to the schools where these children are on roll.
56. Reflecting current care arrangements, the proposal would be to fund the authority which looks after the child and is responsible for maintaining and reviewing their care plan, rather than the authority where the pupil is educated. Around 30% of Looked After Children go to school in a different authority.
57. The intention is to limit eligibility to pupils who have been in care for more than six months and, in principle, to set the LAC premium at the same level as for the main deprivation premium.
58. Rather than using the school census, we propose to use the annual SSDA903 return which is a child level data return made by local authorities for all of their children who were looked after up to 31 March in each financial year. This is a more reliable data source for identifying these children.
59. Details are yet to be fully resolved but it would mean that each local authority would receive funding based on its number of children looked after for six months or more in the previous financial year. The funding would then be passed to the schools that are educating those pupils who have been looked after for six months or more, regardless of the authority in which they are located.
60. We would welcome views about how this might work in practice. We will work through the detailed operation of the proposal with partners, taking into account the views put forward, before confirming the precise methodology.

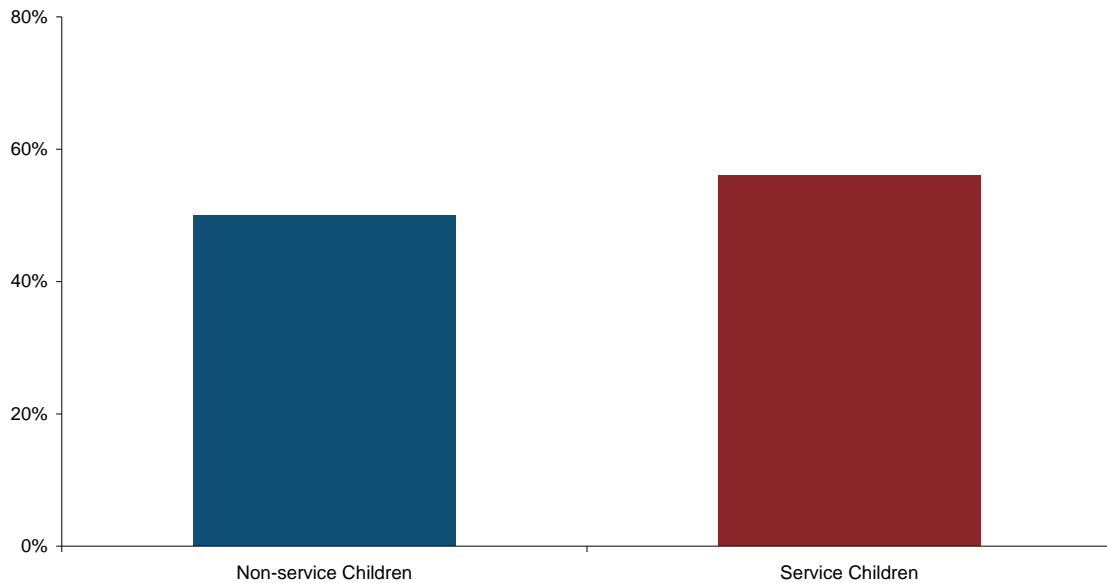
Extending the Pupil Premium to Service children

61. As part of its commitment to rebuild the Military Covenant the Government is exploring the potential for extending the scope of the pupil premium to include some support for those children whose parents are in the Armed Forces. Some local authorities already provide additional financial support to schools catering for service children. This is not primarily an issue of attainment. Evidence shows that Service children mostly achieve at least as well as their non-Service children peers.

Percentage of pupils achieving at least level 4 at key stage 2



Percentage of pupils achieving 5 A* to C including English and Maths



62. The Government, however, recognises that Service children face unique challenges and they need to be supported as they progress through school. Armed Forces families, for example, have to relocate frequently. Moreover, the unique nature of Service life means that Service children are in effect part of an enforced “one-parent family” much more than other children. This can be because the parent is at sea, away training, on an exercise or a six month operational deployment possibly in mortal danger. All of this puts additional strain on the children. Children in these circumstances need more support than the average child for their social and emotional development and to address their inevitable vulnerabilities.
63. Schools can also face additional costs, due to the extra teaching time needed to match new Service children to the curriculum, initial assessments, and additional administrative work stemming from the high turnover of Service children. These issues stemming from increased mobility of course do not just apply to Service children, and where local authorities allocate additional funds through a service factor, it is often linked to mobility rather than directly to Service children.
64. The Government believes that a more systematic approach might be needed to provide additional funding for schools to support Service children. Therefore, we will explore the scope to extend the coverage of the pupil premium to provide additional funding for every child identified on the census as being a Service child. The evidence suggests that this funding should be introduced at a lower level than for disadvantaged pupils, to reflect that the additional need of these children is not an issue of sustained low attainment. As with the rest of the pupil premium, it is not possible at this stage to confirm what that level might be. Decisions on the level of any Service premium will be subject to the spending review and value for money considerations.

How it might work

65. Since 2008, Service children have been flagged in the annual school census. In the 2009 census, there were just under 37,000 pupils identified as Service children, which represented 0.5% of all pupils in England.
66. Like the pupil premium for deprivation, we would use the school census to allocate funding as a specific grant to local authorities, which would then be passed on to schools. In setting the level of any premium, we would consider, for instance, the level of extra funding being provided through service factors within local authority formulae.

Questions

Do you agree it is right to give a higher pupil premium to areas that currently receive less per pupil funding?

What is your preferred deprivation indicator for allocating the pupil premium?

Do you agree the coverage of the pupil premium should include Looked After Children?

What are your views on the operation of the Looked After Children element of the pupil premium? In particular, how might the funding arrangements work at local authority level for pupils educated outside of the local authority with caring responsibility?

Do you think the coverage of the pupil premium should be extended to include additional support for Service children?

Section 2

Methodology for allocating school funding for 2011-12

67. This section sets out the Government's proposals for distributing the Dedicated Schools Grant (DSG) from April 2011. The Government's key priority for funding in the short term is to ensure the smooth introduction of the pupil premium and it believes that this can best be achieved by limiting the changes to the funding system for 2011-12. Therefore, we propose that the current methodology for allocating DSG, generally known as the "spend-plus" system, should continue for 2011-12.
68. We are not able to say at this stage what the level of the DSG will be for next year, which will be subject to the spending review. Subject to the overall level of funding and any mainstreamed grants, we do not propose to change the relative per pupil distribution between local authorities.
69. We intend to mainstream relevant grants into the DSG, which is likely to include at least School Development Grant, School Standards Grant and School Standards Grant (Personalisation), but again this is subject to the spending review. This is consistent with the Government's aim of moving to a simpler funding system. Local authorities will be allowed to use previous levels of grant as an allowable factor in local formulae to help prevent funding turbulence at school level.

Issues relevant to the 2011-12 funding arrangements

Early years funding

70. In order to improve fairness, equity and transparency in early years funding between the maintained and private, voluntary and independent sectors, and to support diversity of provision, we will require local authorities to implement a Single Funding Formula from April 2011. Around half the local authorities in the country are already doing this as pathfinders, and we will look to use their experiences in order to help the remaining local authorities to implement this important reform. We will consult further on the detail in the autumn as part of a consultation on new School Finance Regulations, but expect local authorities to continue planning for implementation from now.

Area Cost Adjustment

71. 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.

Academies and Free Schools

72. The Government has set out details of how we will fund Academies being established from September 2010 under the provisions of the Academies Bill. This information is available at www.education.gov.uk/academies/academy-funding.
73. The principle of Academies' funding is that they should receive the same level of per-pupil funding as they would receive from the local authority as a maintained school. In addition, they receive top-up funding to meet additional responsibilities that are no longer provided for them by the local authority. The Government is clear that becoming an Academy should not bring about a financial advantage or disadvantage to a school. However, Academies have greater freedom over how they use their budgets, alongside the other freedoms that they enjoy.
74. We will work with partners to review the methodology for funding Academies from 2011-12 onwards, including the calculation of the Local Authority Central Services Equivalent Grant. In particular, we will want to ensure that the system funds Academies fairly but also reflects services for which the local authority retains responsibility, especially SEN support services.

Pupil count for 3 year olds

75. All 3 year olds as recorded on the January censuses attract DSG funding. Current arrangements recognise either the actual number of 3 year olds who take up a part time entitlement place, or an amount equivalent to 90% of the 3 year old population doing so, whichever figure is higher. The intention behind this was to ensure local authorities had sufficient funding when they were expecting an increase in take-up by 3 year olds, and to provide an incentive to increase take up by providing additional resource. We are considering whether we should fund all authorities based on actual take-up from 2011. This would not make a difference to the overall level of funding available in DSG, but would enable us to distribute the total of funding fairly among actual pupil numbers. Removing pupils in this way slightly increases the per pupil unit funding for all authorities in comparison.
76. We would like views on whether funding for 90% participation should continue or whether, from 2011, we should use the actual take-up by 3 year olds in all cases.

Pupil Referral Unit (PRU) dual/ subsidiary registrations

77. Many pupils attending a PRU are currently dual registered. Because, prior to 2010-11, there was no way of differentiating between dual main and dual subsidiary registrations, all dual registered pupils in PRUs have been funded in addition to sole registrations. This is effectively double funding some PRU pupils. Since January 2010, a new PRU census has been in place which records details of main and subsidiary dual registrations. It is now possible therefore to distinguish between them and adjust the funding accordingly by not funding dual subsidiary pupils. As with the policy for the funding of 3 year olds, this would not make a difference to the overall level of funding available in DSG, but would enable us to distribute the total funding more fairly among actual pupils. Removing pupils in this way slightly increases the per pupil unit funding for all authorities in

comparison.

78. We would like views on whether we should cease to provide DSG for the dual subsidiary registrations from April 2011.

Funding for schools catering for large numbers of Service children

79. In the consultation document published by the previous government a proposal was put forward to introduce a scheme for providing additional funding to local authorities to support schools with Service children that are affected by Armed Forces movements. The arrangement would allow local authorities with such schools to make a claim for additional pupils to be counted for DSG purposes where pupil numbers have fallen significantly from one year to another as a result of Armed Forces movements. The Government has noted that this had a high level of support in the recent consultation and believes that there is a case for this scheme to be introduced, given the special circumstances applying to these schools, and proposes to introduce this arrangement from 2011-12.

Home educated pupils

80. The Government also proposes to introduce a scheme allowing local authorities to claim for funding for pupils educated at home where services are provided to these pupils. This might include giving them access to school facilities or paying the entry fees for exams sat at school. The proposal would allow local authorities to claim for 10% of a unit of funding for home educated pupils in order to provide these services. This is consistent with the recommendations of the Badman Report.

Protection arrangements

At school level - Minimum Funding Guarantee

81. The Minimum Funding Guarantee (MFG) ensures that all schools receive a minimum level of funding per pupil in relation to the previous year. It is recognised that the MFG can provide funding stability for schools, and can serve as an effective planning tool. However, other schools would consider that protecting budgets above the level that the local authority formula would provide is effectively over-funding a school at the expense of others. In 2009-10 around 5,400 schools were on the MFG.
82. The Government intends to retain an MFG arrangement for 2011-12, although it is not possible at this stage to announce at what level. In any case, the intention is to introduce a more flexible system which is less dependent upon historic funding levels of individual schools and which would allow local formulae to operate more effectively. The level of the MFG will be set following the spending review, and it could be negative rather than positive.
83. The intention is that the MFG would apply to a baseline incorporating DSG plus any mainstreamed grants.
84. If a school receiving the MFG has pupils attracting pupil premium funding, then the pupil premium funding will be given in addition to the MFG, rather than being applied before

calculating whether the school is on the MFG.

Cash floor

85. Current funding arrangements include a cash floor for local authorities to protect them from falling pupil numbers. The operation of the floor results in a higher level of funding per pupil rather than providing funding on the basis of pupil numbers alone. We are inclined not to have a cash floor as part of the 2011-12 funding arrangements, as we believe that money should closely follow pupils. However, we would be interested to hear views on this, and we will keep this issue under review pending the outcome of the spending review.

Questions

Should the pupil count for three year olds used to allocate DSG for 2011-12 reflect actual take up or continue to reflect a minimum of 90% participation where lower?

Should the pupil count used to allocate DSG for 2011-12 continue to reflect dual subsidiary registrations for pupils at Pupil Referral Units?

Do you support our proposals for additional support for schools catering for Service children?

Do you support our proposals for home educated pupils?

Do you think that there should be a cash floor at local authority level in 2011-12?

Next Steps

86. This consultation will run for 12 weeks and will finish on Monday 18th October 2010. We want to hear from all those with an interest in school funding and the pupil premium.

87. Consultation responses can be completed

- online at www.education.gov.uk/consultations;
- by emailing dsg.consultation@education.gsi.gov.uk;
- or by downloading a response form which should be completed and sent to:

School Funding Consultation 2011-12
Funding and Technology Unit
Department for Education
Level 3
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

88. The results of the Comprehensive Spending Review will be announced on 20th October 2010. We intend to give indicative DSG allocations for 2011-12 to local authorities in November or early December. At the same time we intend to announce the level of the pupil premium for each local authority.

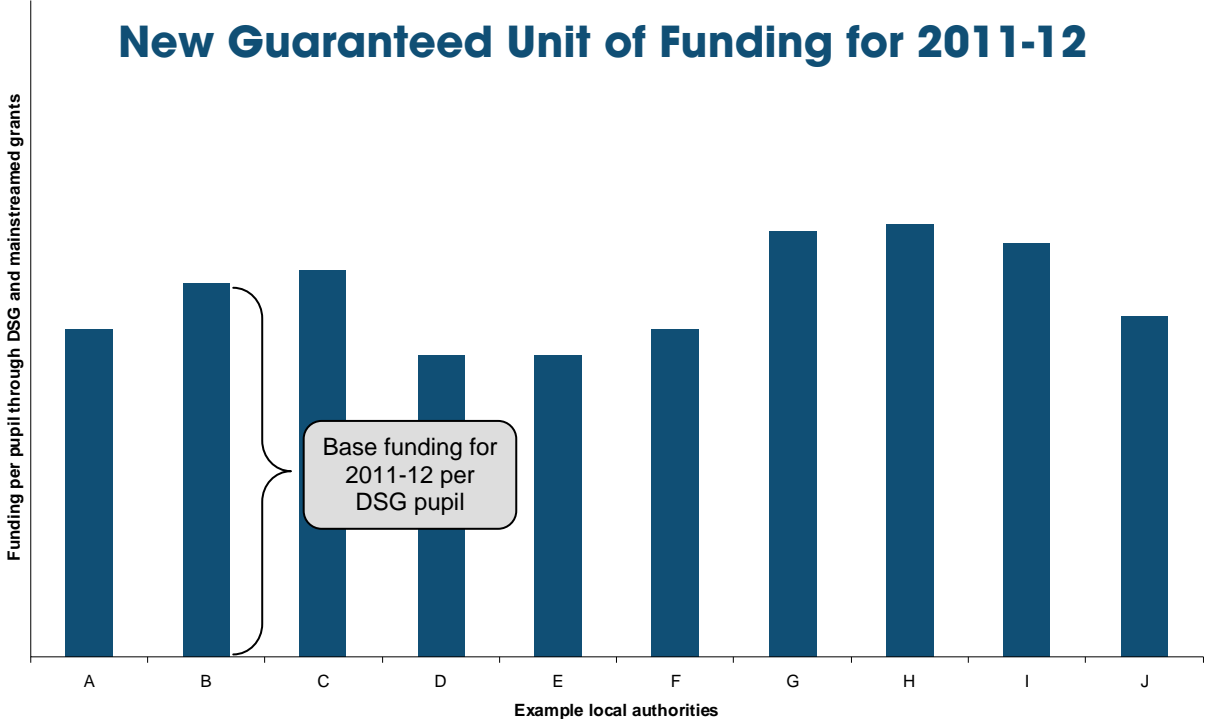
89. During the consultation we will continue to work with partners on the detail of some of the proposals, as outlined in this document. We will also publish an Equality Impact Assessment.

90. In the autumn we will be consulting on changes to the School Finance Regulations for 2011.

91. We expect to announce plans for the longer term direction of school funding in due course.

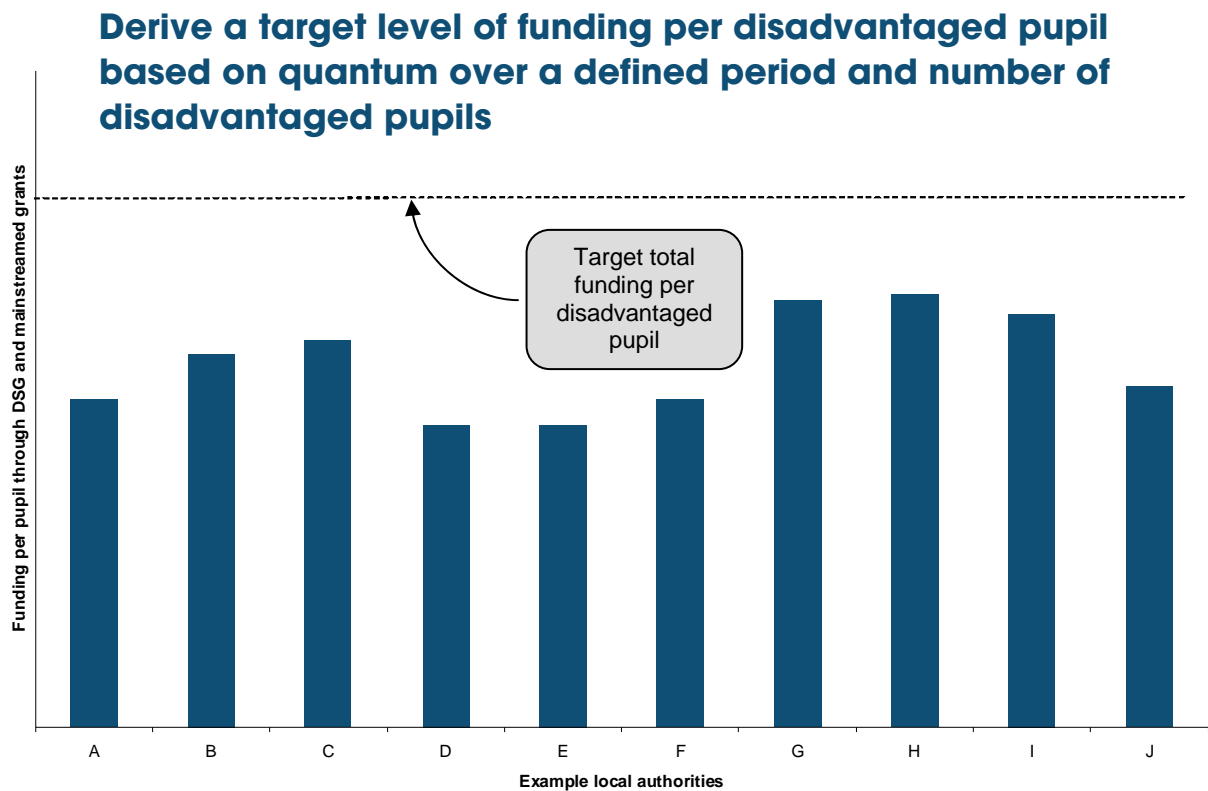
Illustration of the proposed operation of the pupil premium

Chart 1



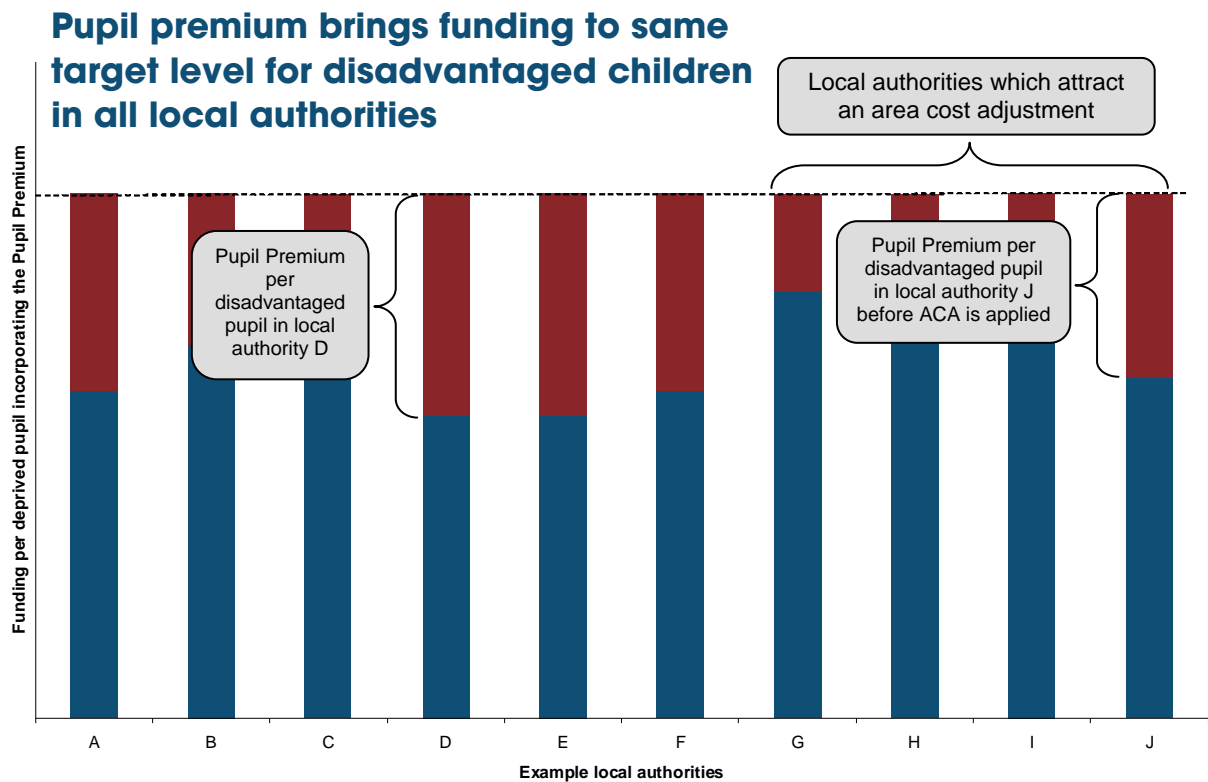
92. A new Guaranteed Unit of Funding for each local authority will be determined following the spending review. There will be no redistribution of funding between local authorities using methodology based on Spend-Plus.

Chart 2



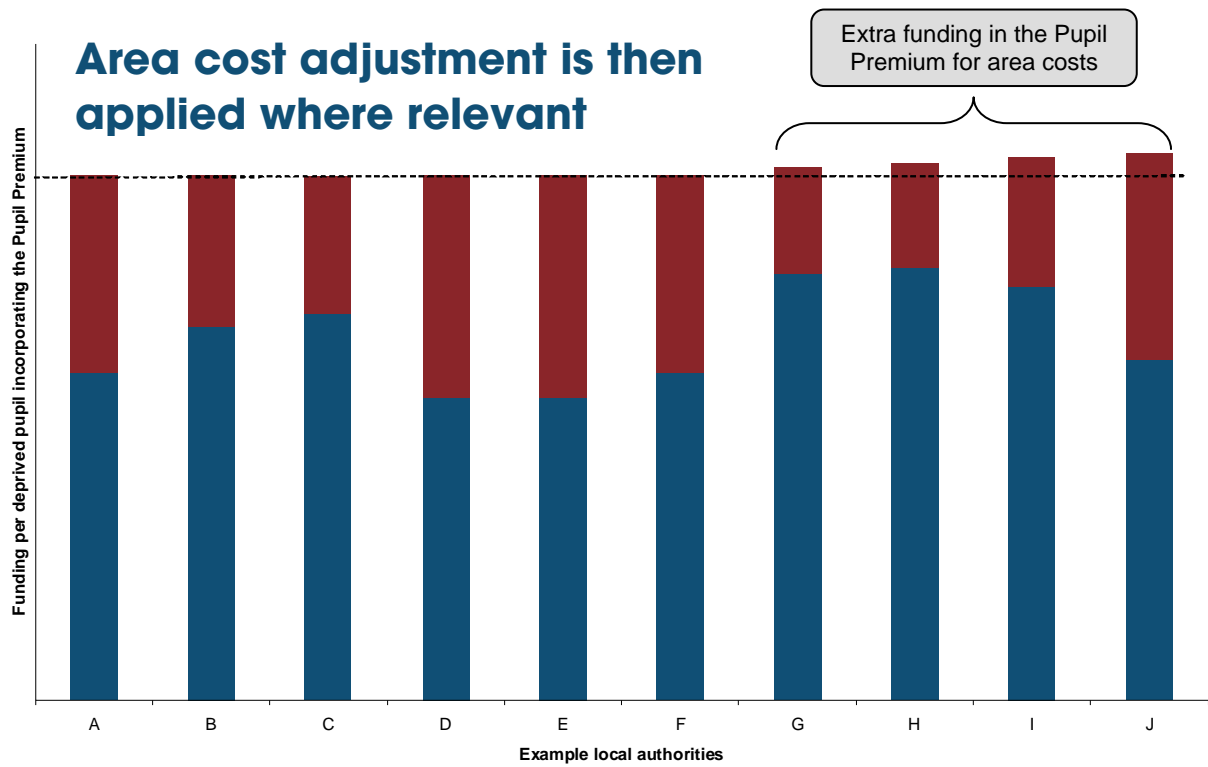
93. The target total of funding per disadvantaged pupil to be achieved is derived following the spending review. Some local authorities will be nearer than others to this target total due to the funding already in the system. The chart demonstrates the differences in funding already in the system often due to differences in deprivation between authorities. But not all notional deprivation money is targeted at deprivation. It tends to be spread more thinly in less deprived authorities, so that schools in those authorities currently receive less funding for their deprived pupils.

Chart 3



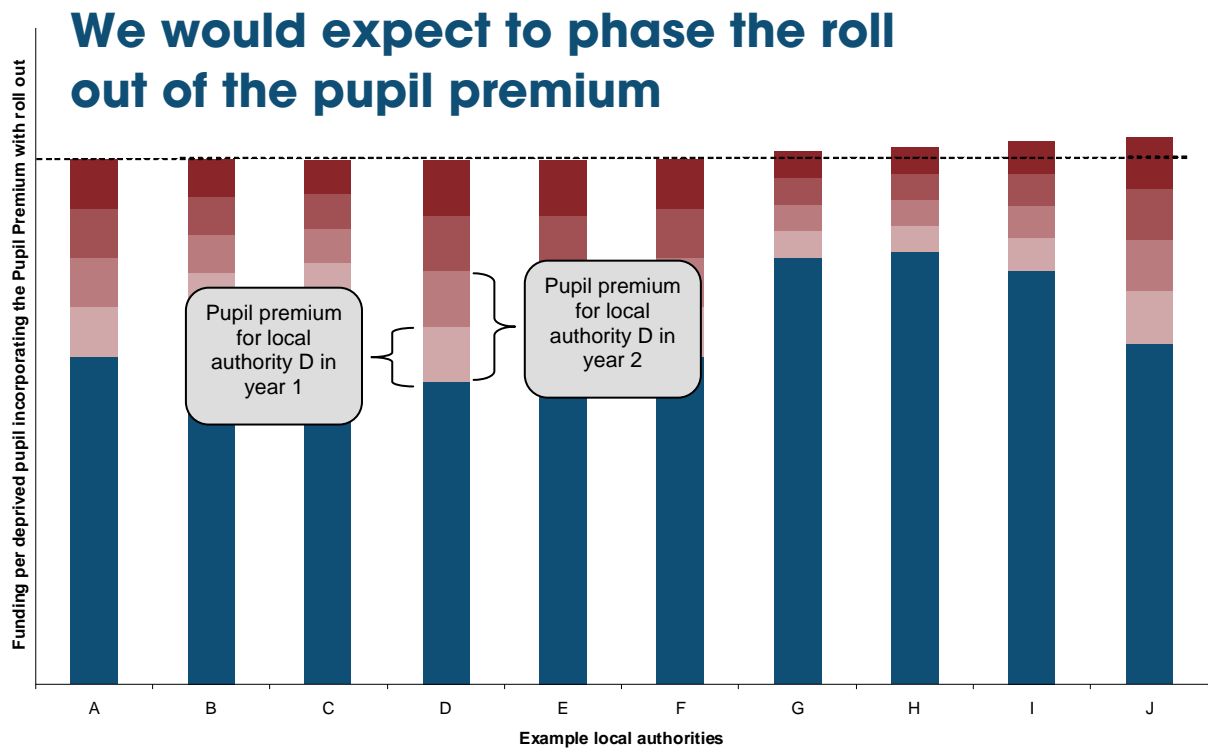
94. The premium is applied so that no matter what the level of basic funding is currently, all deprived children attract the same total (subject to the area cost adjustment). Schools in the lower funded authorities have higher premiums so that the gap closes over time.

Chart 4



95. The totals are adjusted by the application of an area cost adjustment in areas of high labour costs.

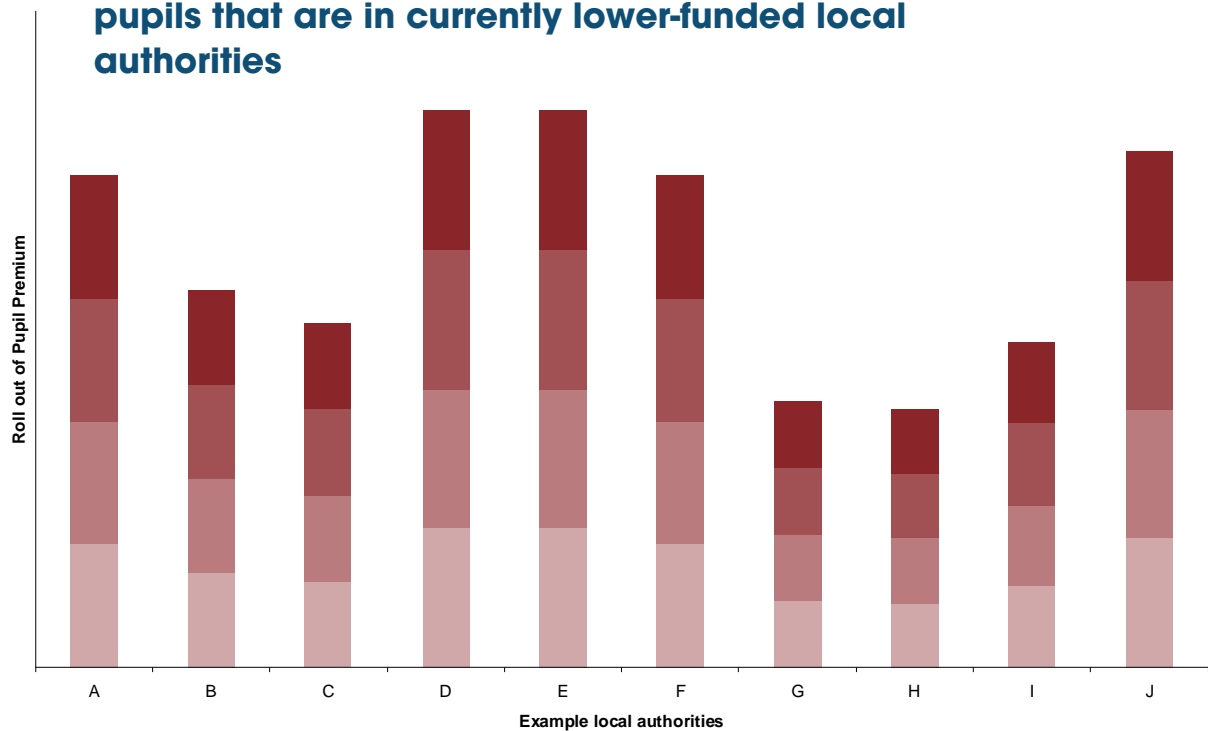
Chart 5



96. This table demonstrates the phasing of the roll out of the pupil premium in each local authority, building it up over 4 years as an example.

Chart 6

Pupil premium totals vary significantly between local authorities, but ensures additional funding for those pupils that are in currently lower-funded local authorities



97. The table indicates the total level of premium needed in authorities in each of the four years to ensure that the total level of funding per deprived pupil is the same across the country after that period.

Comparison of potential indicators of deprivation

Indicator	What it is	How it works	%age of pupils captured at Key Stages	Advantages	Disadvantages
FSM (in-year)	Individual pupils known to be eligible to receive free school meals. Pupils are counted once a year in the January School Census.	Eligibility is based on parental income. Parents have to apply for free school meals at the school or LA and prove they are eligible by producing, for instance, a TC602 Tax Credit Award Notice.	16% - KS2 13% - KS4	Targets funding at the individual pupil. Recognised and generally understood Based on the specific characteristics of the pupil rather than the assumption that the pupil reflects the general characteristics of the area. Readily available in schools Established historical time-series Updated annually	Relies on parents claiming FSM. There is a known issue of under-reporting. (Though this may be ameliorated by behaviour change if it is adopted as a measure for the premium). Cultural barriers for some groups Size of FSM cohort declines as pupils get older. Resistance from a sizeable proportion of teachers to its validity.
FSM ever (3 year)	As above, but including all pupils recorded as being eligible for FSM in the last three years. This utilises the same census 'flag' as FSM (in-year).	As data are collected through the school census each year it is available via the National Pupil Database	21% - KS2 17% - KS4	All the above advantages of FSM (in-year) In addition it includes those children in families where eligibility fluctuates as parents are in or out of work. It thus captures a wider range of deprivation than in-year FSM.	As above. In addition, assuming a cash-limited budget for the Pupil Premium, defining more pupils as deprived inevitably means reducing the size of the premium per pupil. Targeting, therefore, becomes more diffuse.
FSM ever (6 year)	As above, but including all pupils recorded as being eligible for FSM in the last six years.	As data are collected through the school census each year it is available via the National Pupil Database	27% - KS2 24% - KS4	As above, but captures the next group of less seriously deprived pupils.	Targeting is even more diffuse. A national average disadvantaged rate of 27% at KS2 means that some primary schools would

	This utilises the same census 'flag' as above.				qualify as 100% disadvantaged, as every child will have been eligible for FSM at some point.
Out of work tax credit	An indicator developed to identify those families where Child Tax Credits are being claimed where both parents are not working and claiming the out of work tax credit.	Calculated at Lower Super Output Area level. Is currently based on data from 2005.	20.6% of pupils	Picks up families just above the FSM threshold	No historical data-set Area-based and therefore does not represent individual family circumstances
ACORN / MOSAIC	ACORN and MOSAIC are commercial geodemographic classifications of postcodes into types based on census and other information using cluster analysis and other statistical methods. They are designed to identify groupings of households based on consumer behaviour. Postcodes are allocated to groups according to the characteristics / behaviour of residents, based on a wide range of source data.	ACORN (CACI) classifies at postcode level into 56 types, which in turn are grouped into 17 groups and five categories. Mosaic (Experian) classifies all households into one of 61 types and 11 groups - available for households and postcodes. These are not child-specific and the information about how they are made up is not all in the public domain due to commercial confidentiality.	n/k	Based on a wider range of data, including census and commercial information, which enables discrimination below LSOA level based on allocating postcodes to one of the 56/61 types. Types/groupings labelled to help understanding Likely to provide better discrimination for less severely deprived groups which may be missed by the indices which are based on identifying the most severe deprivation. Increasingly being used by, and products tailored to needs of, public sector as well as private sector. Analyses by CASA suggest that the MOSAIC or ACORN types are a good predictor of performance at GCSE.	Classification of areas rather than a direct index. Developed primarily for business (sales and marketing) purposes Although given for each postcode, most input data is based on larger areas. These are commercial products so precise data inputs and statistical methods are not made public; data is made available for use on payment of a licence fee. Hierarchy of advantage/disadvantage developed for more general purposes and for adults may not match that for education/children; Were we to decide to use either MOSAIC or ACORN it is likely we would have to contract with them to tailor their datasets to fit a deprivation usage.

Chart 4 – the Percentage of Reception to Year 11 pupils in families on Out of Work Tax Credits for each educating local authority.

