



Education & Skills Board
17 September 2015

Funding Schools for Deprivation

Purpose of the report: Policy Development and Review

This report provides background information on the funding of deprivation within the Surrey schools funding formula. This is currently a contentious issue among headteachers and the subject of a consultation with all schools.

The outcome of the consultation will be discussed at Schools Forum on 1 October and a decision will be made by the Cabinet in October. As a non-executive scrutiny board, the Education and Skills Board is able to make a recommendation to Cabinet or officers to accompany the report on 27 October 2015.

Introduction:

1. Schools are funded on the basis of a locally determined formula, consulted on with all schools but subject to regulations set by the Department for Education (DfE). The majority of schools' funding is based on pupil numbers – a 'Basic Entitlement' per pupil at a rate which varies with the child's age. Local authorities (LAs) also provide schools with a lump sum per school and further targeted funding to reflect the additional costs of pupils with special educational needs (SEN) and other factors. LAs are also obliged to have a formula factor which recognises deprivation.
2. For many years, Surrey operated a 'tiered' deprivation factor whereby schools were provided with extra funding for each child on free school meals, with a higher unit rate payable to those schools with a particularly high incidence of disadvantaged pupils. This was developed following research with Surrey headteachers and governors that highlighted the additional challenges in raising pupil attainment in schools with a high proportion of disadvantaged pupils, often due to low aspirations in the community and lack of involvement in education by parents. The additional funding was used to provide further support including home-to-school link workers and parenting classes. The introduction of this

mechanism was praised by OFSTED inspectors as a 'very helpful addition' which 'targeted areas of greatest need more efficiently'.

DfE Formula Standardisation 2013

- 3 In 2012 the DfE insisted, as part of its requirement for all LA formulae to be simplified, that from April 2013 every deprived pupil in the same sector must be funded at the same level. As Surrey had a tiered formula that funded pupils in some schools at an elevated rate, then it was no longer permitted. The removal of this higher rate impacted significantly on Surrey's disadvantaged schools. Many of these schools were also impacted by the removal of another factor – the Small Schools Subsidy – with potential funding losses threatening their longer term viability.
- 4 A headteacher working group and the Schools Forum considered this issue and proposed that the only way to protect severely disadvantaged schools from the impact of the formula simplification was to raise the deprivation rate for all deprived pupils in all schools. This was acknowledged to be expensive – requiring a sizeable transfer from the Basic Entitlement funding provided to every pupil - but was considered necessary in the interests of stability. Their views were supported in the annual consultation with all schools and an additional £25m was targeted to deprivation. Schools collectively supported the largest transfer of the three options suggested.
- 5 This was a necessary but untidy compromise. Low deprivation schools lost funding (as Basic Entitlement rates reduced in order to fund higher deprivation targeting) and schools with high deprivation still saw their funding reduced compared to the elevated rates they had previously received. It generally benefited the middle-deprivation schools, which hadn't previously qualified for the higher tiered rate.

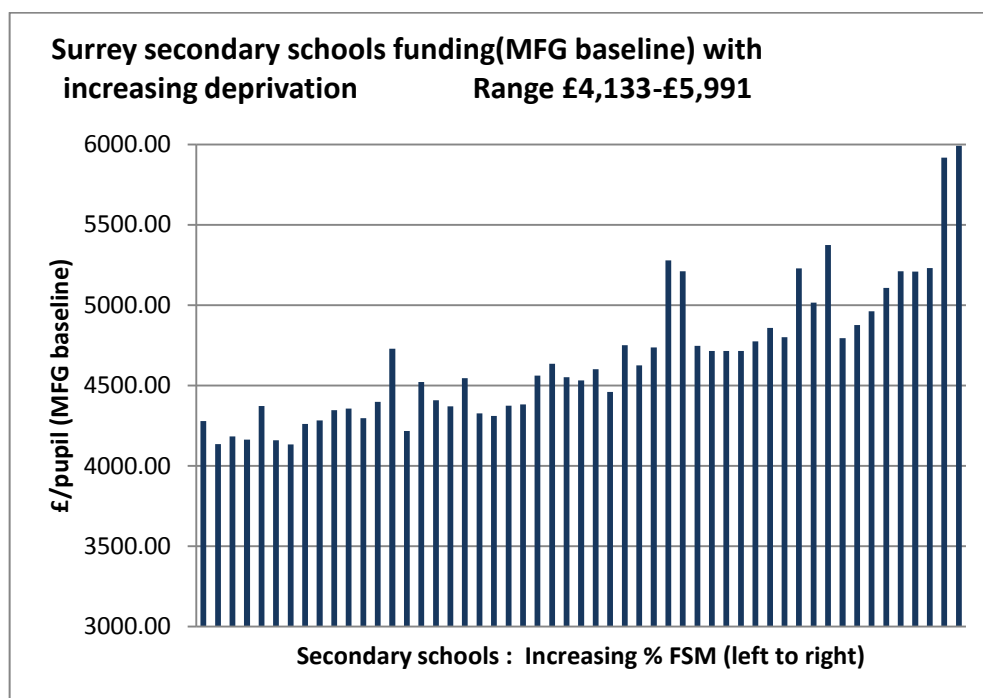
2015 Review of Deprivation Funding

- 6 Surrey currently targets £61m using deprivation indicators. This represents 10.8% of its total schools' formula funding, and is relatively high when compared to the national median of 7.79% and the SE County median of 4.89%. It should be noted however that some LAs (eg some inner London boroughs) have higher overall levels of deprivation and hence are much more highly funded. However, as they have a more uniform distribution of deprivation across their area, they have little need for a large deprivation factor to target additional amounts to specific schools. Surrey in comparison is perceived as a relatively prosperous area and is consequently lowly funded (127th lowest of 150 LAs). In order to adequately fund pockets of deprivation, a larger deprivation 'pot' is required.
- 7 The Government's funding of schools has grown increasingly tight in recent years and no provision for inflation is provided. Headteachers – largely in low deprivation secondary schools – are concerned that too much funding is now targeted to schools with high deprivation. The Schools Forum therefore established a working group of headteachers

from all phases and levels of disadvantage to review current deprivation funding and consider potential options for change from April 2016.

Views of schools with low levels of deprivation

- 8 Schools with low deprivation receive significantly less funding than those catering for high numbers of deprived pupils. The table below shows the per pupil funding of every secondary school in 2015/16. Schools with the least deprivation - measured by numbers of pupils on free school meals (FSM) – are to the left with those schools with higher proportions of disadvantaged pupils to the right. The table shows the extent of the funding difference, with a range of £4,133 to £5,991 per pupil. Although other factors may come into play (eg funding for low prior attainment, English as an Additional Language etc), the majority of the differential is explained by deprivation funding.



- 9 As all schools' budgets face pressures – from inflation, national insurance and pension costs in particular – low deprivation schools are raising concerns about their ability to cope within current funding levels and about the large differential in funding provided to schools with high deprivation. This view is particularly strongly expressed by some headteachers in the secondary sector. Academies are facing other pressures as financial incentives to convert are gradually phased out.

Views of schools with high levels of deprivation

- 10 Schools catering for pupils in areas of high deprivation have highlighted the pressures of driving increased attainment for pupils when facing challenges including a high incidence of workerless families, child protection and safeguarding issues, low levels of qualifications among parents and living in areas of high crime. One headteacher questions, 'What impact will the money to be redistributed have on schools which

are already offering outstanding educations to advantaged students who are gaining high quality outcomes? Will the difference these schools will be enabled to make affect the life chances of the students in the same way that the differences schools working in deprived communities are currently enabled to make?’

Call For Evidence

- 11 As discussions between low and high deprivation schools became polarised and somewhat strained, the Headteacher working group issued a Call for Evidence to all schools, seeking information on the impact of deprivation funding. A summary of responses is in Annex 1.
- 12 The evidence received gave a good general impression of the possible impact of funding changes on schools but was insufficient to allow detailed impact analysis. A significant number of responses merely stated the school’s preference for maintaining or reducing deprivation funding with no evidence of impact and based only on the potential financial benefits to their institution. Consequently the Headteacher working group has felt unable to agree a recommendation to schools in the September funding consultation. The preferred solution – to reinstate Surrey’s tiered deprivation factor – has recently been rejected by the DfE, following further requests. The Schools Forum is therefore proposing that all schools be consulted during September on three options:

That the funding targeted to deprivation be:

1. Maintained at approximately 10.8% of total schools’ formula funding, or
2. Reduced to approximately 7.79% of total schools’ formula funding (ie the national median), or
3. Reduced to approximately 4.89% of total schools’ formula funding (ie the median for south east counties)

Any funding released by reducing deprivation funding will be recycled back into all schools through increases in the Basic Entitlement funding.

Pupil Premium

- 13 Low deprivation schools have expressed concerns that the DfE funded Pupil Premium provided to schools for pupils on free school meals (FSM) may be double-funding high deprivation schools. The pupil premium is intended to represent additional funding to schools and schools are obliged to provide details on its impact to the DfE. Consequently LAs have been discouraged from reducing their own funding of schools as the pupil premium increases.

- 14 Pupil premium was introduced by the DfE in 2011/12. The recommendation by Surrey schools and the Schools Forum to increase Surrey's formula funding for deprivation was made in 2012/13. The total increase in pupil premium funding received by all schools since that decision are as follows:

	Primary sector £m	Secondary sector £m
Increase in pupil premium (2015/16 compared to 2012/13)	9.359	3.804

The reduction in deprivation funding from the current proposals in this consultation would have the following impact on the primary and secondary sectors:

Potential impact of reducing formula deprivation funding:	Primary sector £m	Secondary sector £m
From 10.8% to 7.79%	-9.804	-7.186
From 10.8% to 4.89%	-19.244	-14.107

- 15 For the primary sector, the loss of £9.804m would effectively cancel out the increases in pupil premium.

In the secondary sector, the increase in pupil premium funding since 2012, would only offset just over half of the loss in formula funding for deprivation resulting from a reduction in deprivation funding to the national median of 7.79%.

For both sectors, a reduction to 4.89% would remove funding in excess of that received for pupil premium increases.

Attainment Gap

- 16 The attainment gap between disadvantaged pupils and all pupils has been a cause for concern for successive governments. This gap is higher in Surrey than the national average – across both primary and secondary sectors.

Primary Sector:

Percentage of Pupils at Level 4+ in Reading, Writing & Maths

	Year	All Pupils	Disadvantaged Pupils	Attainment Gap
Surrey	2012	77	57	20
	2013	78	58	20
	2014	82	63	19
National	2012	75	62	13

	2013	75	63	12
	2014	79	67	12

Secondary Sector

Percentage of Pupils achieving 5+ A*-C GCSEs (including English & Maths)

	Year	All Pupils	Disadvantaged Pupils	Attainment Gap
Surrey	2012	64.2	35.3	28.9
	2013	67.5	40.3	27.2
	2014	63.5	37.0	26.5
National	2012	59.4	38.6	20.8
	2013	59.2	41.1	18.1
	2014	53.4	36.5	16.9

Source: DfE LAIT tool

- 17 The above tables indicate that the attainment gap between all pupils and disadvantaged pupils is decreasing nationally and also within Surrey, in both primary and secondary sectors. However it also highlights that Surrey has a consistently higher attainment gap than the national position.

Next steps

- 18 All schools are consulted on changes to the local funding formula on an annual basis and the options for changes to deprivation funding are included within this year's consultation. The deadline for submission of schools' responses is 28 September 2015. Schools Forum will then discuss the responses and make a recommendation to the Cabinet. The Cabinet will make the final decision at their meeting on 27 October 2015.

Report contact: Lynn McGrady, Finance Manager, Funding & Planning

Contact details: 020 8541 9212 Lynn.mcgrady@surreycc.gov.uk

Sources/background papers:

Call For Evidence on Deprivation to schools 2015

DfE Schools Revenue Funding Operational Guidance 2015-16 (revised March 2015)

DfE Schools Revenue Funding Operational Guidance 2016-17 (revised July 2015)

Schools Block Funding Formulae 2015-16: Analysis of Local Authorities'

Schools Block Funding Formulae (DfE March 2015)

Call For Evidence : Summary of Schools' Responses

Summary of activities supported by deprivation funding identified by primary and secondary schools in their responses to the Call for Evidence in June 2015

There were 69 responses to the Call for Evidence within the deadline : 37 secondary schools (70% of total secondaries) and 32 primary schools (11% of total primaries). Of these, 26 cited examples of additional activities needed, or activities needed on a much greater scale, due to the additional needs associated with high levels of deprivation.

The table below shows the main categories of activity identified.

	Number of schools identifying this activity	
	Primary	Secondary
Home liaison /attendance /social care issues/ behaviour		
Home to school link workers/ family support workers	10	7
Parenting classes/parenting support	5	4
Attendance work	3	9
Additional leadership /teacher release time for child protection conferences/social services meetings	7	5
Behavioural issues: Additional leadership capacity, offsite education for learners with challenging behaviour, Inclusion rooms/onsite exclusions, additional lunchtime supervision for behaviour issues	5	9
Emotional literacy support programmes	8	2
Counselling & other social /emotional support	4	7
Additional speech and language therapy, additional educational psychology time, school nurse, careers advice	5	5
Low attainment		
Early intervention work for pupils with low prior attainment	5	
Booster classes, smaller classes, additional vocational options, learning mentors and 1:1 tuition for low attainers; Transition classes for year 7	9	8
Reading recovery/other literacy and numeracy programmes	6	3
Nurture groups	3	5
Recruitment and retention of higher quality teachers	2	1
Miscellaneous		
Breakfast clubs to ensure pupils are fed at start of day	3	1
Homework clubs / out of hours study support centres	4	4
Trips/curriculum enrichment etc	7	3
School uniform	2	2

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