AGENDA ITEM 8b)
SCHOOLS FORUM
2nd OCTOBER 2008

REPORT TO THE WORCESTERSHIRE SCHOOLS FORUM (WSF) NATIONAL REVIEW OF THE DEDICATED SCHOOLS GRANT (DSG) 4th MEETING 14th JULY 2008

1. PURPOSE

1.1 To report to the WSF on the issues from the 4th meeting of the national Formula Review Group.

2. BACKGROUND

2.1 In confirming that there would be a full review of the DSG for the multi year budget period commencing April 2011, the DCSF have convened a national DSG Review Group to co-ordinate the work.

2.2 This group has a timetable for meetings. The full papers from the review group meetings are available on the Teachernet web site as follows: -

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

3. KEY ISSUES FROM THE MEETING 14th JULY 2008

3.1 The fourth meeting considered papers on the following areas with the key issues detailed in the following sections: -

- 14-19 Funding
- Additional Educational Need (AEN)
- High Cost Pupils SEN
- Area Cost Adjustment (ACA)
- Sparsity and Small Schools

3.2 14-19 Funding

(a) The paper details the initial modelling of the impact of applying a national funding methodology based on the current approach for 16-18 provision to 14-16 provision in schools. The group has considered two approaches: -

- An analysis of all data for secondary schools from the 2008/09 section 52 budget statements between AWPU, which is easy to derive and other factors calculated pro-rata.
- A review of detailed formula factors from six pilot LA's.

(b) The LSC funding formula for post 16 is as follows: -

Funding = Standard Learner Number x National Funding Rate x Provider Factor* + Additional Learning Support

* = Average Programme Weighting x Disadvantage x Area Costs x Success Factor

This has been adapted for 14-16 to derive a 'Base Case'. This assumes all programme weightings and success factors are set at 1 and excludes additional learning support: -

Funding = FTE Pupils (Actuals) x National Rate (LSC Adjusted) x Provider Factor*

* = 1x Disadvantage (FSM Eligibility) x DCLG ACA Factor x1

(c) There are five further models that have been developed as variations on the Base Case as follows: -

- Scenario 1 – Base case but with disadvantage on DCSF new tax credit indicator.
- Scenario 2 – Base case but with the programme weighting adjusted for diplomas.
- Scenario 3 – Base case but with success factor based on CVA (up to median).
- Scenario 4 – Base case but with success factor based on CVA (up to 75th percentile).
- Scenario 5 – Combination of previous ones and CVA (up to 75th percentile).

(d) The tables in the DCSF report provide an analysis of overall winners and losers, which have been supported by detailed modelling from 4 of the pilot LA's. For Worcestershire the position is as follows: -

SCENARIO	No. of Schools Gaining	Total Gains £'m	No. of Schools Losing	Total Loss £'m	Mean School Loss £	Median School Loss £	Mean School Loss % Budget Share	Median School Loss % Budget Share
B	16	0.67	8	-1.21	-151,739	-31,872	-3.2%	-1.3%
1	18	1.47	6	-1.07	-178,032	-54,905	-3.7%	-1.7%
2	16	0.61	8	-1.26	-156,980	-37,204	-3.3%	-1.5%
3	16	0.78	8	-1.32	-164,432	-41,956	-3.4%	-1.4%
4	15	0.75	9	-1.48	-164,935	-53,064	-3.5%	-1.9%
5	17	1.79	7	-1.26	-180,221	-72,315	-3.7%	-2.2%

(e) Work will continue in the key areas of using a planned and not an actual numbers approach, the potential impact of pre 14 pupils in secondary schools including middle schools and the transitional cost requirements.

3.3 Additional Educational Need (AEN)

(a) The DCSF are proposing a review formula funding for AEN, which is currently defined to include both met and unmet needs for: -

- Learning needs related to EAL.
- Learning needs for specific SEN such as autistic spectrum, dyslexia, dyspraxia, attention deficit/hyperactivity disorder, speech and language, sensory impairment and physical disabilities.

- Other learning needs not associated with EAL and SEN.
- Social need.

(b) The DCSF contend there are issues with the formula around and is proposing to commission research around: -

- Definition – which is now not to be appropriate for current need.
- SEN funding – being split by LA's into low cost/high incidence and high cost/low incidence and the variation between LA's in funding models.
- Attainment and deprivation – needs consideration in the objective to narrow the attainment gap.
- Rural deprivation – concerns that these needs are not being met.
- BESD – these are dealt with in different ways between LA's.
- Threshold – the old model mixed below threshold AEN with the basic pupil entitlement.
- VfM – need to link AEN funding to improved outcomes.

3.4 High Cost Pupils SEN

(a) The DCSF are proposing to review formula funding for high cost pupils, principally those with SEN. These are currently defined as all pupils in maintained special schools, hospital schools and PRU's; all pupils supported by LA's in non-maintained special schools and independent schools; and all other pupils who have statements.

(b) The DCSF contend the existing formula has the following issues: -

- Recoupment – still in place for pupils with statements and is bureaucratic, expensive and the statementing process varies widely between LA's.
- Mobility – some LA's contend that parents of pupils with SEN move authority due to the provision.
- Wider reach – whether expensive SEN purchasing would be better handled at wider than LA level.
- Allocations – the variance in funding methodologies between LA's for funding statemented pupils in mainstream schools.

(c) The review will consider whether: -

- A fair system of funding the provider could be devised.
- There is any potential for cooperative arrangements and commissioning at supra-authority level.
- Elements of the existing formula are still appropriate.
- A future system could best support improved outcomes for pupils with SEN.
- LA's allocations at local level promote best use of resources.

3.5 Area Cost Adjustment (ACA)

(a) The ACA reflects the need for schools in some areas to pay more to recruit and retain staff and is currently calculated on the basis of the differences between LA's in labour costs and business rates. The DSG uses that included in the Local Government Finance settlement from the Department of Communities and Local Government (DCLG).

(b) Previously three methods of constructing an ACA have been considered: -

- Based on selected wage costs in each area and deriving an index.
- Actual wage uplifts for staff and seeks to reflect these in an index.
- Based on relative house prices.

(c)The DCSF are proposing a project to review whether they should develop an ACA methodology for schools separate to that used by the DCLG to: -

- Look at the above methods.
- Examine with the School Teachers Review Body the update required to the geography and size of the additions to teachers salaries.
- Look at the LSC ACA for 16-19

(d) The DCSF have already received additional information on this area including: -

- LA paper from Haringey – requesting a more equitable distribution of the London ACA.
- LA Paper from Devon – questioning that apart from London is there a need for an ACA.
- Research papers from Blanchflower and Oswald on behalf of WCC – arguing that in its current form the ACA is not performing its job properly and has not successfully managed to eliminate the inequities across areas.
- Paper from f40 – see attached Appendix that concurs with the Devon view and the difficulties in distributing an area cost within a large LA and within small adjacent LA's.

3.6 Sparsity and Small Schools

(a) The DCSF are intending to review the costs of sparsity and whether any changes are required. The current model relates to primary schools only and provides for the need to maintain such schools in rural communities.

(b) The main issues for consideration are: -

- The index is based on the National Census and so the 2011 data will not be available for the next DSG round.
- Whether the additional costs of small schools have changes over time.
- The potential impact of increasing rolls in the primary sector.

(c) The DCSF have received a paper from the National association of Small Schools arguing the educational and economic benefits of small schools.

4. RECOMMENDATION

The WSF notes the current position and comments on the aspects as required.

Andy McHale
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