

School funding reform: Next steps towards a fairer system

Equality Impact Assessment

Description of the policy

This is an equality impact assessment of proposals contained in School funding reform: Next steps towards a fairer system published on 26 March 2012.

This sets out proposals for reforming revenue funding for maintained schools and Academies most of which is allocated through the Dedicated Schools Grant (DSG) to local authorities. Local authorities allocate this ring-fenced grant to schools using a local funding formula. Since 2006-07 the DSG has been allocated to local authorities using the Spend-Plus methodology, which was based on planned local authority spend in 2005-06 and then uplifted each year. Academies are funded by replicating the relevant local formula used to allocate school budgets for maintained schools, with additional funding for services which they have to provide which are provided for maintained schools by the local authority.

Maintained Schools and Academies also receive additional funding through Pupil Premium grant in respect of pupils known to be eligible for Free School Meals (FSM) or who have been eligible for FSM in the last six years, children who have been continuously looked after for six months and children whose parents are currently serving in the armed forces. No changes are planned to the Pupil Premium funding arrangements for 2013-14, other than an ongoing drive to increase take up of FSM.

This is the third phase of the Government's development of proposals on school revenue funding, which follows:

April 2011 - Consultation on school funding reform: Rationale and principles which set out the case for reforming the revenue funding system and sought views on the principles underpinning a new revenue funding system; and

July 2011 – Consultation on school funding reform: Proposals for a fairer system which sought views on options for reforming the revenue funding system.

The overall aim is a funding system for schools (maintained and Academies) that is clear and transparent and where schools serving similar intakes would receive similar levels of funding. The current system does not achieve this and at the local level, in particular, the different policies applied by local authorities have resulted in wide variations in funding to address similar types of needs. Overall this means that schools with similar types of needs but in different local authorities can receive significantly differing levels of funding per pupil.

The July 2011 consultation included proposals for reforming the system at both national and local level, with options for a new national formula, as well as local level issues, including the role of the local authority in funding both early education and high needs pupils and the level of local flexibility over how money is allocated to individual schools.

Responses to the July 2011 consultation identified widespread support for reform but highlighted the need for refinement and careful implementation, with particular regard to

the need to minimise disturbance for all maintained schools and Academies. Getting the components and implementation of a fair national funding formula right is seen as critical and work on this will need to continue so that it can be introduced during the next Spending Review period.

The policies in this document concentrate on changing the system for 2013-14 and 2014-15, both to deliver improvements now and to prepare the way for a future national funding formula:

(i) To improve the way local areas are funded through the national Dedicated Schools Grant system by:

- announcing an earlier firm settlement to local authorities through the use of the October pupil census rather than the January pupil census as at present; and
- making the funding for local authorities more transparent by allocating DSG funding through the three notional funding blocks: for schools, early years and high needs.

The aim is to provide more clarity for local authorities about how the funding allocated through the DSG is made up and to enable budgets for schools to be finalised earlier which will allow them to plan their expenditure better.

(ii) To simplify local funding arrangements by:

- working on the basis that all of the notional Schools Block will be delegated to schools other than in a limited set of circumstances; and
- to reduce the number of factors that can be used in local formulae from the current level of 37 different factors.

Schools are best placed to make appropriate provision for their pupils and the aim is to maximise the amount of funding allocated to them, while at the same time retaining flexibility to reflect local circumstances. Reducing the number of local formula factors should make clearer to schools the basis of their funding allocations; thus improving confidence in funding and reducing regional variations in how schools are funded.

To protect schools from significant changes to their budgets we will continue to operate a Minimum Funding Guarantee of minus 1.5% per pupil for 2013-14 and 2014-15.

(iii) To improve arrangements for funding pupils with high needs.

These reforms aim to:

- bring together funding for high needs pupils pre-16 and students post-16 – this will help support an integrated and coherent approach to planning educational provision for these pupils and students;
- ensure that there is clarity, provided through the funding system and at the

local level, as to what mainstream schools and mainstream further education providers are expected to provide for children and young people with SEN or learning difficulties and disabilities (LDD) from their own budgets. This will help make clear what mainstream schools and colleges will be expected to contribute towards support for these pupils and students from within their delegated budgets;

- provide a base level of funding for specialist institutions on a place-led basis, so as to ensure equivalence between specialist and mainstream settings with the aim that young people receive the support and educational experience that is right for them and, where appropriate, to improve parental choice. The allocation of base funding will reflect local need and choice, thus ensuring that there is high-quality provision available; and
- provide local authorities with an identified High Needs Block from which to commission provision and provide top-up funding to mainstream and specialist institutions. This will encourage better commissioning practice and accountability for pupils' and students' outcomes, thus contributing to improved provision and results for pupils and students.

(iv) To simplify arrangements for the funding of early years provision

The aim is to make funding for the universal free entitlement of 15 hours a week of early education for three and four year olds through the Early Years Single Funding Formula simpler, more transparent, better focused on disadvantage and less variable between areas.

The evidence base

(i) Analysis

The attached analysis was conducted by the Department's Infrastructure, Funding and Longitudinal Analysis Division (IFLAD). The main sources of data used were the School Census returns, Section 251 Outturn and National Pupil Database (NPD) extracts.

Internal DfE analysis of the 2007 Childcare and Early Years Survey of Parents (Kazimirski et al 2008) and the 2008 Childcare and Early Years Survey of Parents (Speight et al 2009)'.¹

(ii) Publications

- A consultation on school funding reform: Rationale and Principles
- An analysis of the responses to the above consultation
- A consultation on school funding reform: Towards a fairer funding system An analysis of the responses to the above consultation

What the evidence shows

(i) Social and economic circumstances

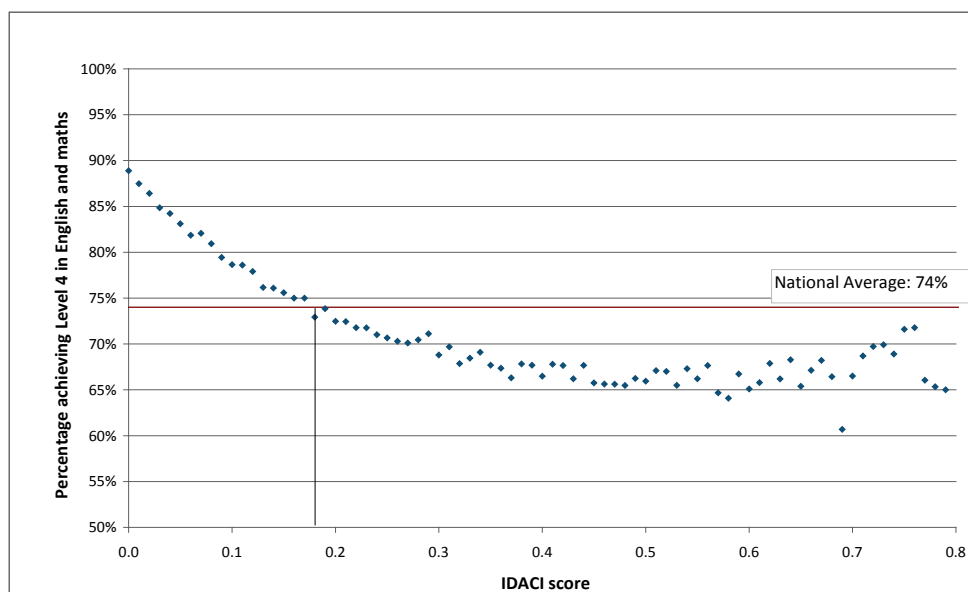
Deprivation

Evidence shows that poverty is by far the biggest predictor of underachievement of pupils. Pupils who are eligible for FSM, one of the main proxies for deprivation, have far lower attainment:

- only 34.6% of FSM pupils attain 5 or more A*-C GCSEs including English and maths in 2010-11 (31.2% in 2009-10) compared to 62.0% of all other pupils, a gap of 27.4 percentage points.
- only 58% of FSM pupils achieved level 4 at KS2 in both English and maths in 2010-11 (56% in 2009-10) compared to 78% of all other pupils, a gap of 20 percentage points.

We can also look at an alternative measure of deprivation, the Income Deprivation Affecting Children Index (IDACI) which is an area based measure that identifies children in families where both parents are out of work and claiming the out of work tax credit. Chart 1 below shows key stage 2 attainment by IDACI score. The chart shows that as the IDACI score rises (which denotes higher levels of deprivation) the proportion of pupils achieving level 4 at both English and maths falls. From the data underpinning this analysis, we know that only 68.8% of pupils with an IDACI score greater than 0.18 achieve the national average, which is 12.1 percentage points lower than pupils with an IDACI score of less than 0.18, where 80.9% of pupils achieve the national standard.

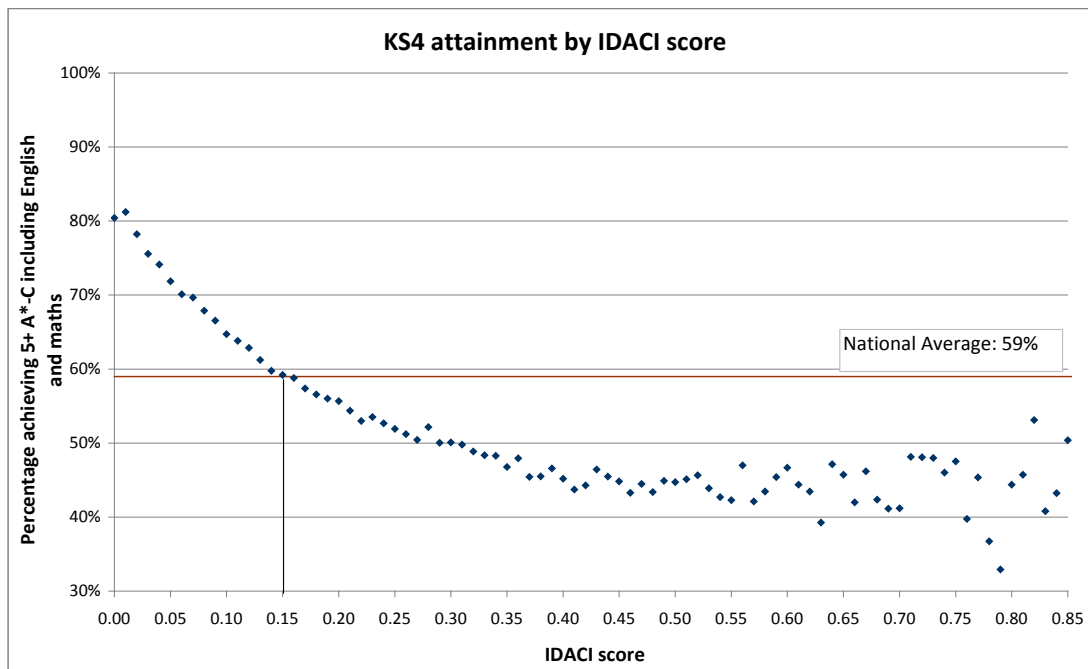
Chart 1 - KS2 attainment by IDACI score



If we look at Chart 2 we can see that it is only pupils with an IDACI score of around 0.15 where the percentage of pupils achieving 5+A*-C at GCSE, including English and

maths is at or above the national average of 59%. From the data underpinning this analysis we know that only 50% of pupils with an IDACI score greater than 0.15 achieve the national average of 5 A*-C at GCSE, which is 19.5 percentage points lower than pupils with an IDACI score of less than 0.15, where 69.5% of pupils achieve the national standard.

Chart 2: KS4 attainment by IDACI score



Looked After Children

Many children in care come from deprived backgrounds but the nature of their care arrangements means that they may not be eligible for Free School Meals. In 2011, just 40% of looked after children achieved Level 4 at key stage 2 and only 13% of these children achieved 5A*-C, including English and maths at GCSE (Source: SFR - GCSE and Equivalent Attainment by Pupil Characteristics in England, 2010/11, SFR - DfE: National Curriculum Assessments at Key Stage 2 in England 2010/2011 (revised))

(ii) Disability

Children identified as having SEN are more likely to have low levels of education attainment. The charts below set out the attainment for pupils with different categories of SEN. These include the lower level of needs under the School Action category to the higher assessed needs of those with a statement.

Key Stage 2 - SEN

		No identified SEN	All SEN pupils	SEN without a statement	School Action	School Action +	SEN with a statement
Level 4 or above in Key Stage 2 inc. English and mathematics	Boys	88	37	40	45	33	16
	Girls	87	33	35	39	27	11
	Both	87	35	38	43	31	15

Key Stage 4 - SEN

		No identified SEN	All SEN pupils	SEN without a statement	School Action	School Action +	SEN with a statement
5 A*-C at KS4 inc. English and mathematics	Boys	68.1	21.0	23.7	26.9	17.8	9.2
	Girls	70.8	23.9	26.0	28.4	21.4	6.4
	Both	69.5	22.1	24.7	27.5	19.2	8.5

Data also shows that there is a overlap between children who are both eligible for FSM and have SEN, and this has a significant impact on the attainment of these groups.

KS2 and KS4 Attainment by SEN and FSM

	All SEN		Non - SEN		All Pupils		National
	FSM	Non-FSM	FSM	Non-FSM	FSM	Non-FSM	Average
Key Stage 2	29	38	79	89	58	78	74
Key Stage 4	13.9	24.8	49.7	71.9	34.6	62.0	58.2

Once you take account for SEN at KS2, FSM pupils attain better than the national average with 79% achieving Level 4 including English and maths.

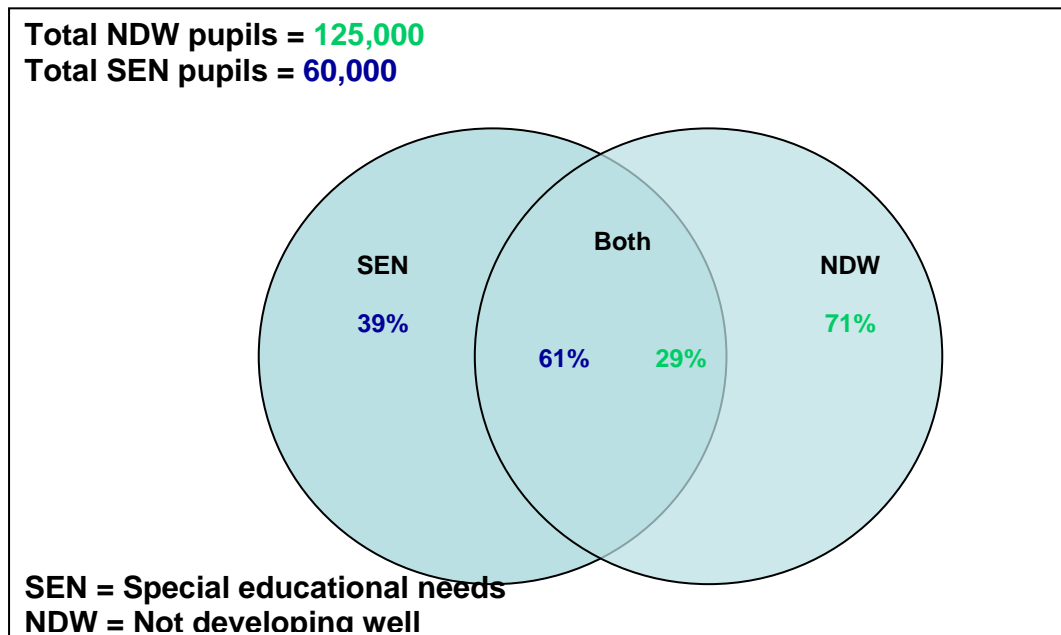
Once you account for SEN at Key Stage 4, although the FSM pupils do not attain better than the national average (with 49.7% achieving 5 A*-C grades including English and maths, it reduces the FSM attainment gap from 23.6 percentage points to 8.5 percentage points (All FSM 34.6% to non-SEN FSM 49.7%).

Low cost High Incidence SEN

Chart 3 below sets out the attainment of children with SEN for Early Years Foundation Stage Profile (EYFSP). We have used the threshold of 78 points which represents the expected level of development for foundation stage pupils. Using 2010-11 attainment data chart 3 below shows that 61% of pupils with lower level SEN (so either with a statement or on School Action or School Action Plus) are not defined as developing well. We recognise that there are different practices at local authority level for defining School Action but this gives an indication of the strong overlap between those who

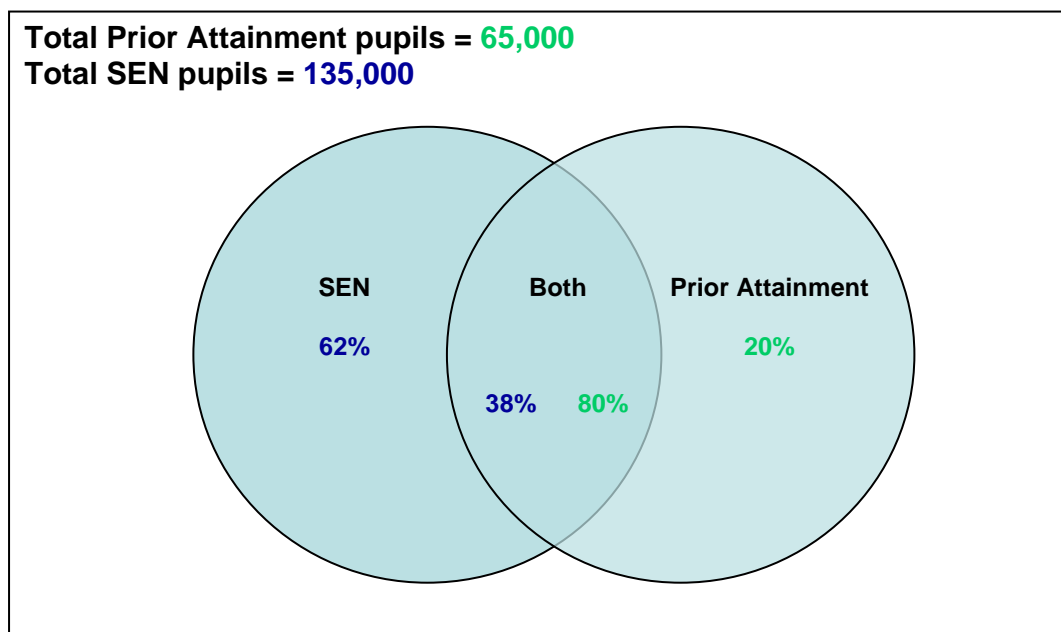
have SEN and who are falling behind.

Chart 3 - EYFSP Prior Attainment Threshold 2010/11



We have set the prior attainment threshold to be those pupils who do not achieve a Level 4 in either English or maths. Using 2010-11 attainment data chart 4 shows that 38% of pupils with lower level SEN (so either pupils with a statement or on School Action or School Action Plus) are not achieving and are captured by this measure; this represents 80% of all low attaining pupils. Whilst 20% of the pupils captured by this low prior attainment threshold do not have lower level SEN, as we show later, this allows us to capture vulnerable groups who have an additional educational need.

Chart 4 - KS2 Prior Attainment Threshold 2010/11



(iii) Ethnicity

Under-performing Ethnic Groups (UPEG)

While poverty is the main determinant of underperformance, it is still the case that some ethnic minority groups as a whole are underachieving.

	KS 2
National Average	74%
Non UPEG	75%
UPEG	68%

	KS4
National Average	58%
Total	58%
Non UPEG	59%
UPEG	53%

Source:

SFR - DfE: GCSE and Equivalent Attainment by Pupil Characteristics in England, 2010/11
SFR - DfE: National Curriculum Assessments at Key Stage 2 in England 2010/2011 (revised)

Annex 1 and Annex 2 illustrate the attainment of the individual ethnic groups. The data shows that those ethnic groups shown in dark blue are still underperforming as a whole.

The following charts look at the attainment of underperforming groups by characteristics to see to what extent low attainment is due to factors such as deprivation and additional language needs and to establish which ethnic minority groups are still underperforming after factoring for these characteristics. The UPEG groups are fixed and were last reviewed in 2010 based on the attainment data at that time.

Performance at Key Stage 2

Pupils achieving a Level 4 in either English or maths are considered to be achieving well and those who achieve a Level 4 or higher in both subjects are achieving above the national standard. Our view is that if a pupil is only achieving a Level 3 or below in both English and maths, then that pupil is likely to be in need of additional support. Annex 3 shows that the following groups of pupils are not achieving the national standard of level 4 attainment in English and maths

- Under-performing ethnic groups pupils for whom English is not their first language (whom we classify as EAL) ;
- Under-performing ethnic groups pupils who are eligible for FSM;
- Under-performing ethnic groups pupils who are both EAL and FSM;
- Black-Caribbean pupils (non-EAL, non-FSM);
- Gypsy Roma pupils (non-EAL, non-FSM) and
- Travellers of Irish Heritage (non-EAL, non-FSM)

The charts show that by allowing a FSM and EAL factor (the light blue circle) in a funding formula the majority of pupils from under performing ethnic groups are covered.

Annex 4 shows that by additionally including a prior attainment factor for pupils who only achieve a Level 3 or lower in English and maths at Key Stage 2, the remaining low-achieving Black-Caribbean pupils are captured as well as the Gypsy Roma and Travellers of Irish Heritage (GRT).

There are a small number of GRT pupils (280) that are not covered by FSM, EAL and prior attainment, as they achieve a Level 4 in English or in maths. Under our prior attainment definition these pupils achieve, however they still do not achieve the national standard of Level 4 in both English and maths, which is why they remain below the line.

If a local authority decides that these remaining pupils have an additional need, Schools Forum members from maintained schools can agree that funding could be retained centrally to be targeted at these pupils or other under-performing pupils from ethnic minority groups. As Academies are autonomous institutions with more freedom to decide how to organise their support for pupils their funding should not be affected by these arrangements and they will receive a proportion of this funding in their initial budget.

Performance at Early Year Foundation Stage Profile

Annex 5 looks at the attainment of under-performing ethnic groups based on the Early Year Foundation Stage Profile (EYFSP). Under the current EYFSP, a child is 'developing well' if he or she scores 78 points across all areas of learning and development. Looking at the different characteristics of pupils we can see that the following groups of pupils are not achieving this standard

- Under-performing ethnic group pupils for whom English is an additional language (EAL);
- Under-performing ethnic group pupils who are eligible for FSM;
- Under-performing ethnic group pupils who are both EAL and FSM;
- Pakistani (non-EAL, non-FSM);
- Black-Caribbean pupils (non-EAL, non-FSM);
- Gypsy Roma pupils (non-EAL, non-FSM) and
- Travellers of Irish Heritage (non-EAL, non-FSM)

By allowing a FSM and EAL factor we can see from the chart (the light blue circle) that we are providing funding to the majority of under performing ethnic groups.

Annex 6 shows that once we include the prior attainment factor, which we would use to provide extra funding to primary schools, where all pupils achieving lower than 78 points at EYFSP will attract funding, all underachieving ethnic groups are covered. The inclusion of a prior attainment factor would therefore give sufficient flexibility to enable local authorities to target funding to any pupil not meeting the expected level of development, regardless of ethnicity, deprivation or language need.

Early years

Participation in free early education by three year olds is recorded on the January Census and this attracts DSG funding. Current funding to local authorities is based on the actual number of three year olds who take up their entitlement to free early education or an amount equivalent to 90% of the estimated three year old population doing so, whichever is higher. This is known as the 90% floor.

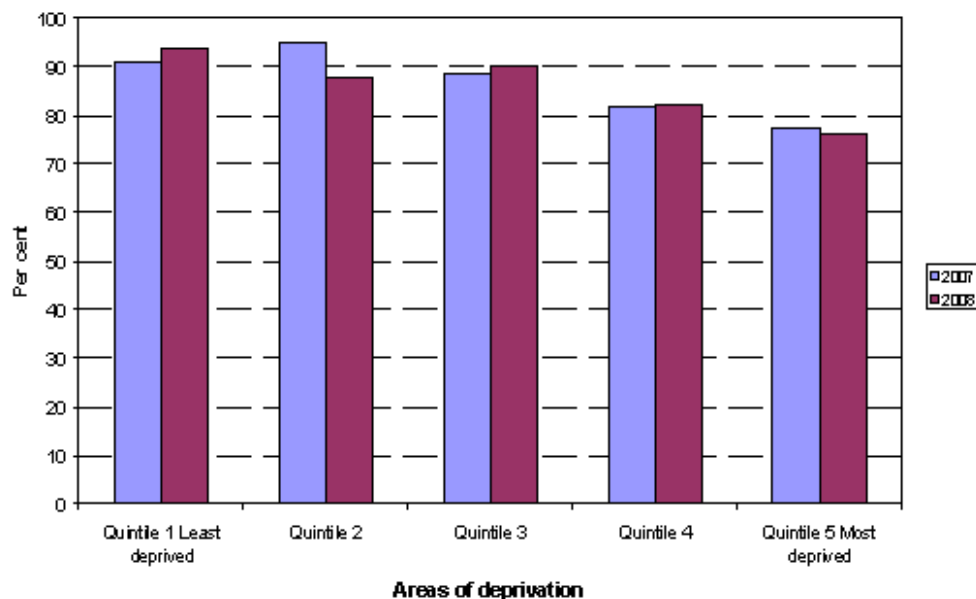
The 90% floor was introduced in 2003 to provide additional resources for local authorities to build capacity and boost take-up when they were rolling out universal free early education entitlement to all three year olds.

Nationally around 93% of three year olds are taking up the entitlement but there are significant variations between local authorities– with the lowest 77% and the highest 117%. Some of these differences may reflect children travelling between authorities to access their free early education (reflecting parental travel to work) as well as the limitations in single age group population estimates at a local authority level.

Research suggests that whilst national take up rates are very high, those not currently benefiting from access to free early education come disproportionately from the most disadvantaged families. For example, a recent Departmental survey of parents suggests:

- take up from families in the most deprived quintile is around 77%, compared to 94% in the least deprived quintile; and
- take-up of early education and childcare is lower amongst certain ethnic groups e.g. African, Bangladeshi, Gypsy, Pakistani, Roma and Traveller families and amongst disabled children.

Chart 5 - Free Entitlement



Source: internal DfE analysis of the 2007 Childcare and Early Years Survey of Parents (Kazimirski et al 2008) and the 2008 Childcare and Early Years Survey of Parents (Speight et al 2009). The measure of deprivation used in the figure is the quintile of Index of Multiple Deprivation (IMD).

Cost of the 90% floor

In 2011-12, through the 90% floor, the Department funded an additional 12,914 FTE three year old places. This cost £69m, with funding paid to 87 local authorities. This is paid as part of the total DSG allocation to local authorities and is not separately identified or ring-fenced for early education provision. Whilst over half of local authorities receive some funding through the 90% floor, the levels are in many cases relatively low, as indicated below:

The number of local authorities that would have lost a given amount of DSG funding had the 90% three year old provision been removed in 2011-12

Loss of DSG in 2011-12 (%)	Number of LAs
No loss	64
0 to 0.1%	21
0.1 to 0.2%	19
0.2 to 0.3%	16
0.3 to 0.4%	14
0.4 to 0.5%	3
0.5 to 1.0%	10
>1.0%	4
Maximum loss	-2.0%

The impact of the floor was raised in the recent National Audit Office report on free early education (*Delivering the free entitlement to education for three and four year olds*. National Audit Office, February 2012), which included as one of its recommendations:

[The Department should] “analyse the overall performance of local authorities over time to identify where additional funding to the 90 per cent baseline for three-year-olds is not improving take-up, and consider changes to the funding system”

English as an Additional Language (EAL)

Pupils who have EAL often require additional support in order to learn the English language. The attainment gap for these pupils is smaller at KS4 than at KS2.

Attainment by EAL for 2010/11

Qualifications	Non - EAL	English as an Additional Language (EAL)	Gap (Non-EAL - EAL)
KS2 ¹	75.0%	70.0%	5.0%
KS4 ²	58.5%	55.8%	2.7%

Notes:

1 – percentage of pupils achieving Level 4 or above at Key Stage 2 including English and mathematics

2 – percentage of pupils achieving 5 or more A*-C grades at GCSE or equivalent including English and mathematics GCSEs

Source:

SFR - DfE: GCSE and Equivalent Attainment by Pupil Characteristics in England, 2010/11

SFR - DfE: National Curriculum Assessments at Key Stage 2 in England 2010/2011 (revised)

(iv) Gender

The gender attainment gap is a near-universal feature of all developed educational systems and has been roughly constant over several decades. While gender is one factor affecting educational performance, social class and ethnicity are much stronger predictors of attainment than gender. In 2011:

- 77% of girls reached the expected level in both English and maths at key stage 2 compared with 72% of boys; a gap in attainment of 5 percentage points. This gap has remained fairly stable over the past 3 years.

- 61.9% of girls achieved 5 A*-C grade GCSEs including English and maths compared to 54.6% of boys – an attainment gap of 7.3 percentage points. This gap was 7.5 percentage points in 2010.

- 95.1% of girls achieved 5 A*-G grade GCSEs including English and maths compared to 92.7% of boys – an attainment gap of 2.4 percentage points. This gap has narrowed slightly from 2010 when it was 2.7 percentage points.

Engagement and involvement

Discussions on school funding reform have been held mainly with the following groups:

School Funding Implementation Group which includes representatives from schools, local government, teacher unions, school leader associations, school leader associations, Academies, school business managers and the Special Educational Needs Consortium.

Early Years School Funding Implementation Group which includes representatives from local authorities and providers of early years education.

High Needs Pupils and Students External Working Group – this Group has been consulted by the Department in order to inform the development of the proposals for the funding of high need pupils and students. The Group is made up of representatives of local authorities, the Special Educational Consortium, and providers from the SEN, post-16 LLD and alternative provision (AP) sector.

Ministerial Advisory Group on the Role of the Local Authority – which includes representatives of local government and schools, including Academies.

Academy Funding Reference Group – which includes representatives from a cross section of different types of Academies (primary, secondary, special, sponsored and converters).

Conferences

The issue of school funding reform has been discussed at the six monthly National Fair Funding Conferences attended by local authority officials. The latest conference was in November 2011.

Regional meetings

School funding reform has been raised at regional meetings of local authorities finance officers which are attended by Departmental officials.

Challenges and opportunities

The challenge is to introduce a simplified funding system that is equitable, fair and transparent but which, at the same time retains flexibility to meet the needs of individual pupils and groups of pupils known to be underachieving. This Equality Impact Assessment shows how the funding system can promote equality of opportunity for those groups protected under the Equality Act 2010.

Our proposals to simplify our national funding arrangement to local authorities, which involves changing the pupil count to October and introducing notional funding blocks should have no adverse impact on equalities. Basing the pupil count (which we use to distribute funding) on an October school census rather than a January census as at present should have no redistributive effect on the funding of individual groups. Introducing notional funding blocks is intended to improve transparency in funding but will have no redistributive effect.

Simplifying local funding arrangements to schools by limiting the local formula factors is intended to provide more transparency and clarity around how funding is allocated.

At the moment, local authorities are able to use 37 different factors when distributing funding. Moreover, each of these 37 factors can be interpreted and applied in a variety of different ways and this often results in very complex formulae which not many people understand. The document sets out an intention to reduce the current number of allowable factors from 37 to 10 clearly defined factors which would be:

Pupil characteristic factors

1. A basic per pupil entitlement
2. Deprivation (which could include both FSM and IDACI)
3. English as an additional language (for the pupil's first 3 years in school only)
4. Low incidence SEN
5. Looked after children
6. Lump sum
7. Premises factors
8. Split sites
9. Rates
10. PFI arrangements
- * Exceptional Circumstances

*Exceptional circumstances relate to premise issues, specifically listed buildings, buildings that are rented or boarding provision. Consideration of exceptional circumstances will only be given where it i) applies to less than 5% of schools in the local authority and ii) accounts for more than 1% of the budget of the school or schools affected.

Simplifying the formula will potentially affect the way local authorities are able to target funding to promote equality of opportunity. Our proposals set a framework by which local authorities allocate funding to schools and in framing them we have had particular regard to the ability of local authorities to reflect the characteristics covered in the Equality Act which we think are relevant to our proposals:

- social and economic circumstances and in particular the needs of deprived pupils and looked after children in their areas given that, at the national level, poverty is the single biggest determinant of low educational attainment for pupils;
- ethnicity looking at the factors that affect the attainment of underperforming groups, such as poverty and additional language needs;
- disability in particular the needs of pupils with Special Educational Needs,; and
- gender and whether there is a case for additional action to reflect particular gender differences.

The issues around underperformance are complex and will in many cases result from a combination of pupil characteristics, rather than just poverty for example. When deciding what factors should be allowable in a local formula we have therefore looked the effect of using a combination of local formula factors.

As deprivation is the most influential factor affecting a child's educational attainment we think it reasonable that local authorities should be able to include more than one factor in their local funding formula for deprivation. We are therefore proposing to allow for a factor to cover FSM, IDACI or a combination of both.

We recognise that children entering school for whom English is not their first language may need additional language support to help them progress. The attainment gap at KS4 is lower than at KS2 which suggests that the need reduces over time. We consider therefore that any support should be time limited and during our earlier school funding consultation, which sought views on the duration of any EAL support, the best supported option was for an EAL factor for three years.

For looked after children we think the extremely low level of attainment and the fact that this is not generally picked up through a deprivation indicator makes it reasonable to allow for a specific factor for looked after children.

For disabled pupils, mainly those having lower level SEN, the formula allows flexibility for local authorities to include a factor for pupils with SEN. Evidence shows a strong correlation between low prior attainment and low level special educational needs and we therefore think the additional funding needs for SEN pupils including for disabled pupils could be addressed through a factor which would reflect low prior attainment at foundation stage for the primary sector and low attainment at key stage 2, namely those not achieving level 4 in both English and maths, for the secondary sector. For disabled pupils with high level needs we are also proposing separate funding arrangements, outside the local funding formula and these are considered below.

Our analysis in Annexes 2-6 of this document shows that by allowing factors to reflect deprivation, EAL issues and low prior attainment the needs of all pupils from underperforming ethnic minority groups other than an extremely small percentage of pupils from GRT backgrounds, which we estimate to be around 280 pupils, can be

reflected. In the case of the remaining GRT pupils we are proposing to allow further flexibility to for certain elements of funding to be centrally retained rather than delegated to schools, subject to Schools Forum agreement. This would include the central retention of funding to support minority ethnic pupils or underachieving groups. This will ensure therefore that there is sufficient flexibility in local formulae to address the needs of all underperforming ethnic minority groups.

On gender, we recognise that there is a small attainment gap between boys and girls but by far the biggest gap in attainment for both boys and girls is between those boys and girls eligible for free school meals and those not eligible. We are not aware of any gender specific factors currently existing in local formulae and are not proposing to allow it in a local formula. We consider that it is for schools to address any gender specific issues in their schools.

For disabled pupils and students with high level SEN the new funding arrangements should not have an adverse impact on equality with regards to age, disability, ethnicity, gender, religion or sexual identity. Clarifying the financial contributions that mainstream schools and FE providers should make towards the cost of provision for high needs pupils, should improve accessibility of such provision to disabled pupils and students and should impact positively on equality of opportunity for this group. We will set out clearly the arrangements to operate locally and intend that these practices should inform the development of what is offered at the local level as proposed in the Green Paper on SEN and disability:

- By introducing a funding approach based on equivalence of funding across different types of providers, in which there is greater transparency and clarity about funding arrangements and available provision, and in which there are no potential incentives to place pupils and students in one type of provider over another. Disabled young people and their families should be able to exercise greater choice about their educational experience and therefore should be able to access provision that will enable them to fulfil their potential.
- By bringing together funding arrangements for pupils with SEN pre-16 and those for students with SEN or LDD post-16, which are currently separate, we will help to improve equality of opportunity and choice for young people from birth to 25 and their families. Since provision across this age range will be funded on the basis of a similar set of principles and from a single, integrated budget, it is more likely that young people will have a seamless experience of support throughout their education, and less likely that the support they receive will change dramatically at key transition points – for example, when a young person is 16 and is deciding whether to continue their education in school or in a FE college. This, and the flexibility inherent in an integrated approach to funding high needs pupils and students, should have a positive impact on equality of opportunity for this group and remove barriers to this on the basis of age.

The proposal to allow for a lump sum factor in a local formula should allow flexibility to address issues for small schools.

For early years provision, as the NAO recommended we have considered the impact of the floor arrangements and now think the time is right to phase out the floor, so it is removed entirely from 2014-15. Removing the 90% floor would reduce funding going to some local authorities and is likely to impact on around one third of local authorities with those most affected in London. However, this funding is spread across the entirety of provision in affected local authorities and not spent in a dedicated way on three year olds in these local authorities.

We anticipate moving to participation-based funding could on balance have a positive impact on disadvantaged groups. Moving to full participation-based funding would provide financial incentives to local authorities to maintain high levels of take-up of the free entitlement by three year olds and also to increase participation by those not currently benefitting from free early education. Those not currently participating tend to be from disadvantaged groups, and encouraging these children to participate in free early education is expected to have positive impacts on these children’s development and school readiness. Focusing resources more closely on driving take-up amongst three year olds, rather than allowing resource to be spread across the whole of the school system, might further support the narrowing of the achievement gap at five as identified in the foundation stage profile.

We believe that it is important to use 2013-14 as a transitional year to give local authorities time to plan for the move to participation funding. Financial support would be retained in 2013-14, albeit at a reduced level, for affected local authorities, and this support could be used to increase participation levels. In the announcement we seek views on how to manage this transitional year. One suggestion is to move to an 85% floor in 2013-14. The table below gives an indication of the level of support affected local authorities will still receive.

The number of local authorities that would have seen a reduction in effective per pupil funding if the 90% three year old provision had been reduced to 85% in 2011-12

Reduction in effective per pupil funding (2011-12)(%)	Number of LAs
	85% provision for three year olds
No loss	64
0 to 0.1%	21
0.1 to 0.2%	19
0.2 to 0.3%	34
0.3 to 0.4%	12
0.4 to 0.5%	0
0.5 to 1.0%	1
>1.0%	0
Maximum loss	-0.5%

We will consider how best to manage the impact on early years in the light of the consultation responses.

Equality analysis

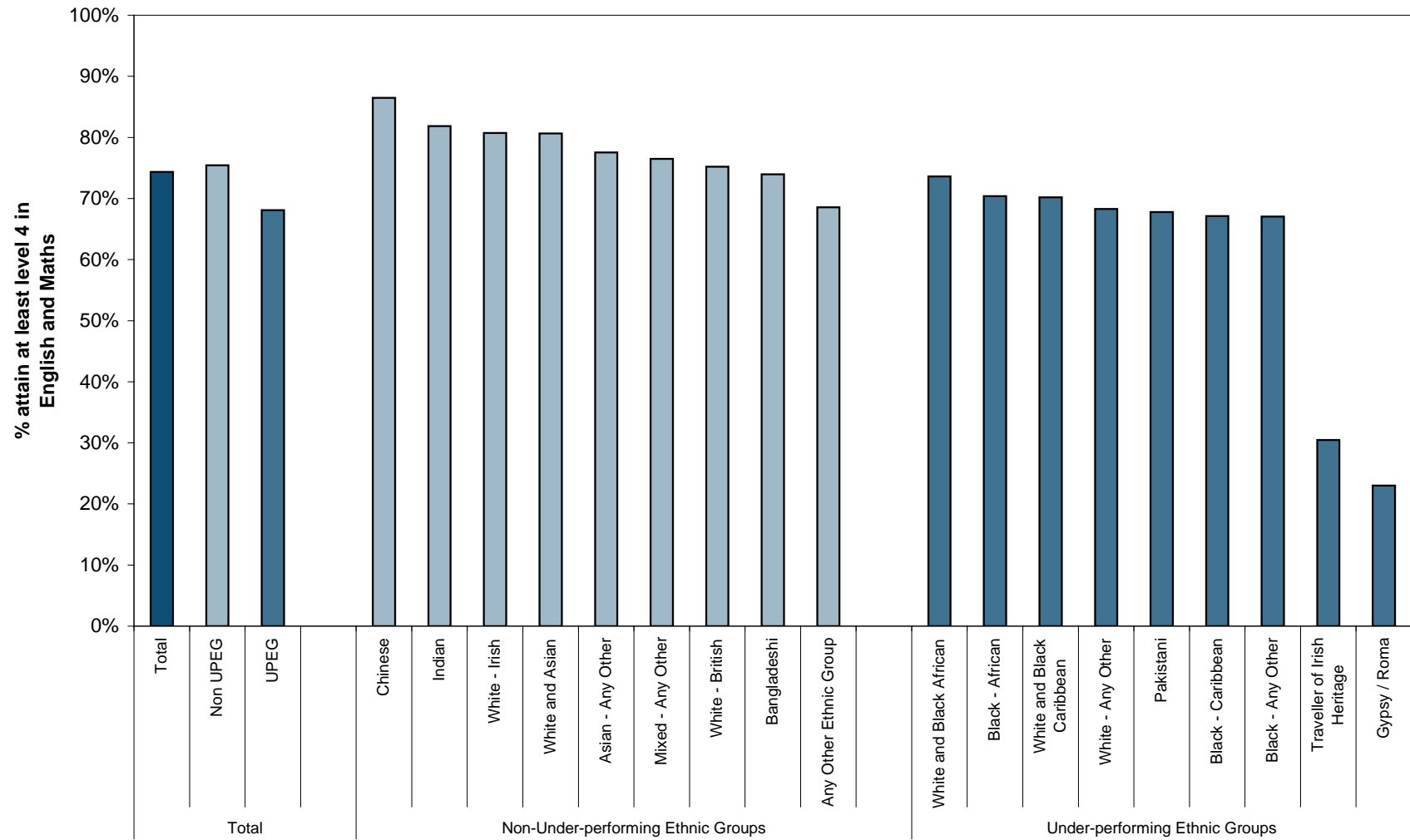
We consider that an adverse impact is unlikely. On the contrary there is potential to reduce barriers and inequalities that currently exist. There is insufficient evidence, however for this analysis to be made with full confidence. There is sufficient flexibility in the proposed arrangements for 2013-14, by which local authorities fund their schools, to ensure that they, in consultation with local schools forums, are able to reflect the needs of all of their pupils in their local funding formula, including those covered by the equalities legislation. This flexibility coupled with the benefit to schools of greater clarity and simplicity of the arrangements means that the overall impact should at worst be neutral. It will however be for local authorities to decide on the factors to include local formula, in conjunction with their schools forums.

Outside the local formula arrangements we assess that our proposals for high need pupils and for early years funding outlined above should have a positive impact on equalities.

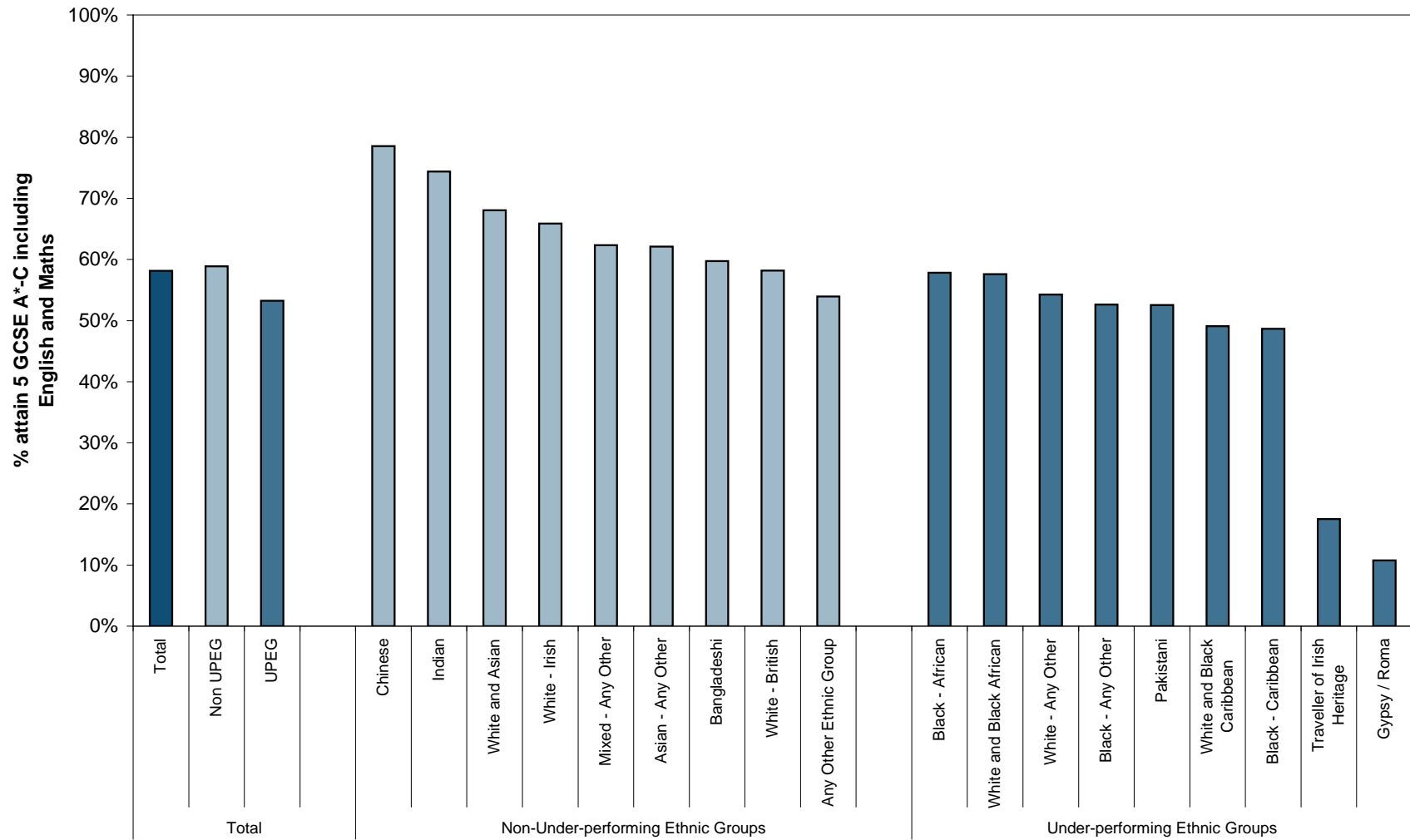
Next steps

- The document on School funding reform will run from 26 March to 21 May
- March 2012 - Operational guidance to help local authorities develop their local formula issued to local authorities
- April/May 2012 – DfE tool for modelling local authority formula options available to local authorities
- June 2012 – announce decisions on 2013-14 funding reform arrangements
- July/August 2012 –commence consultation on finance and forum regulations
- December 2012 – finalise DSG allocations to local authorities.

Annex 1 - Key Stage 2 attainment by Ethnic Groups

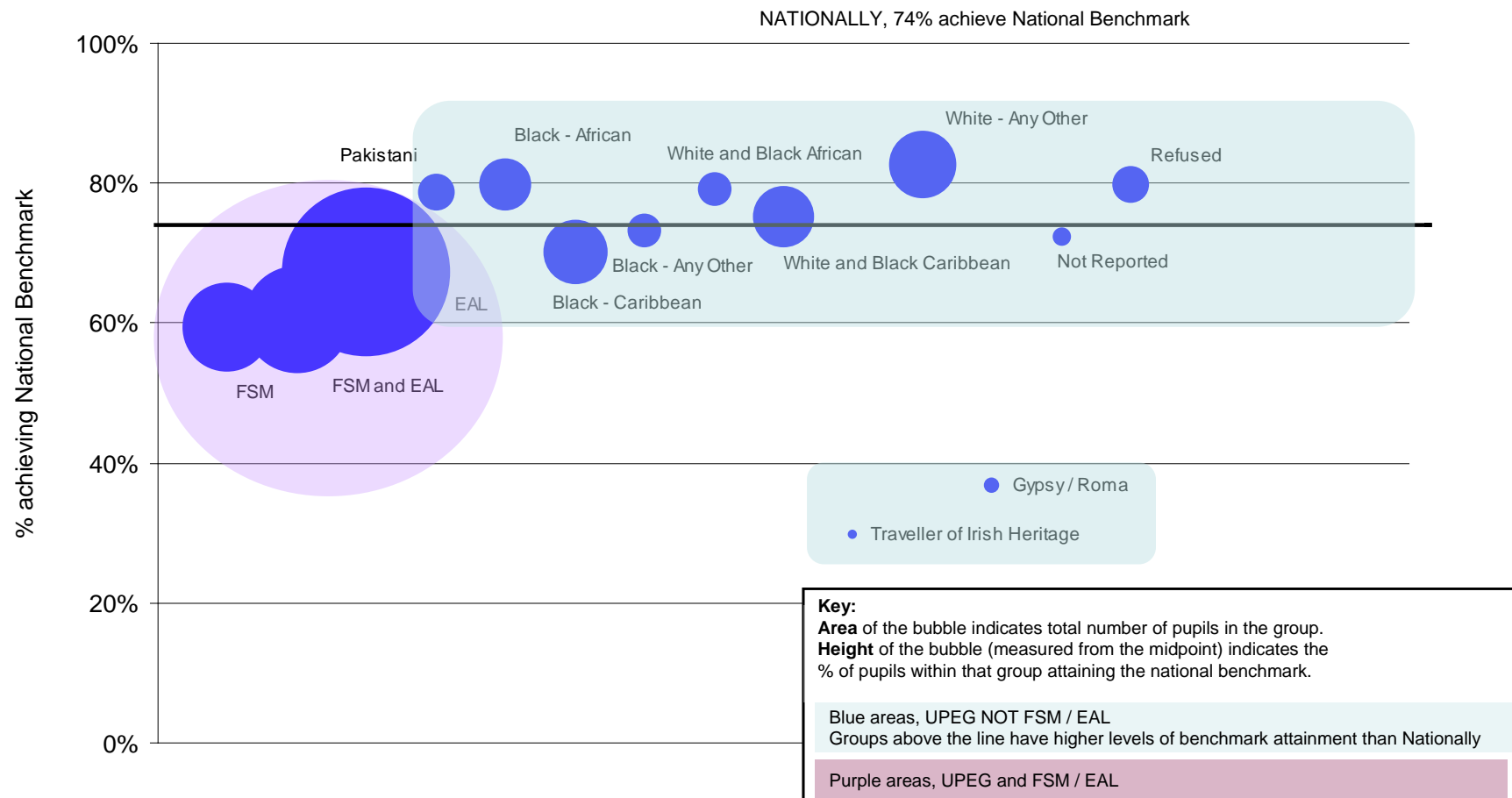


Annex 2 - Key Stage 4 attainment by Ethnic Groups



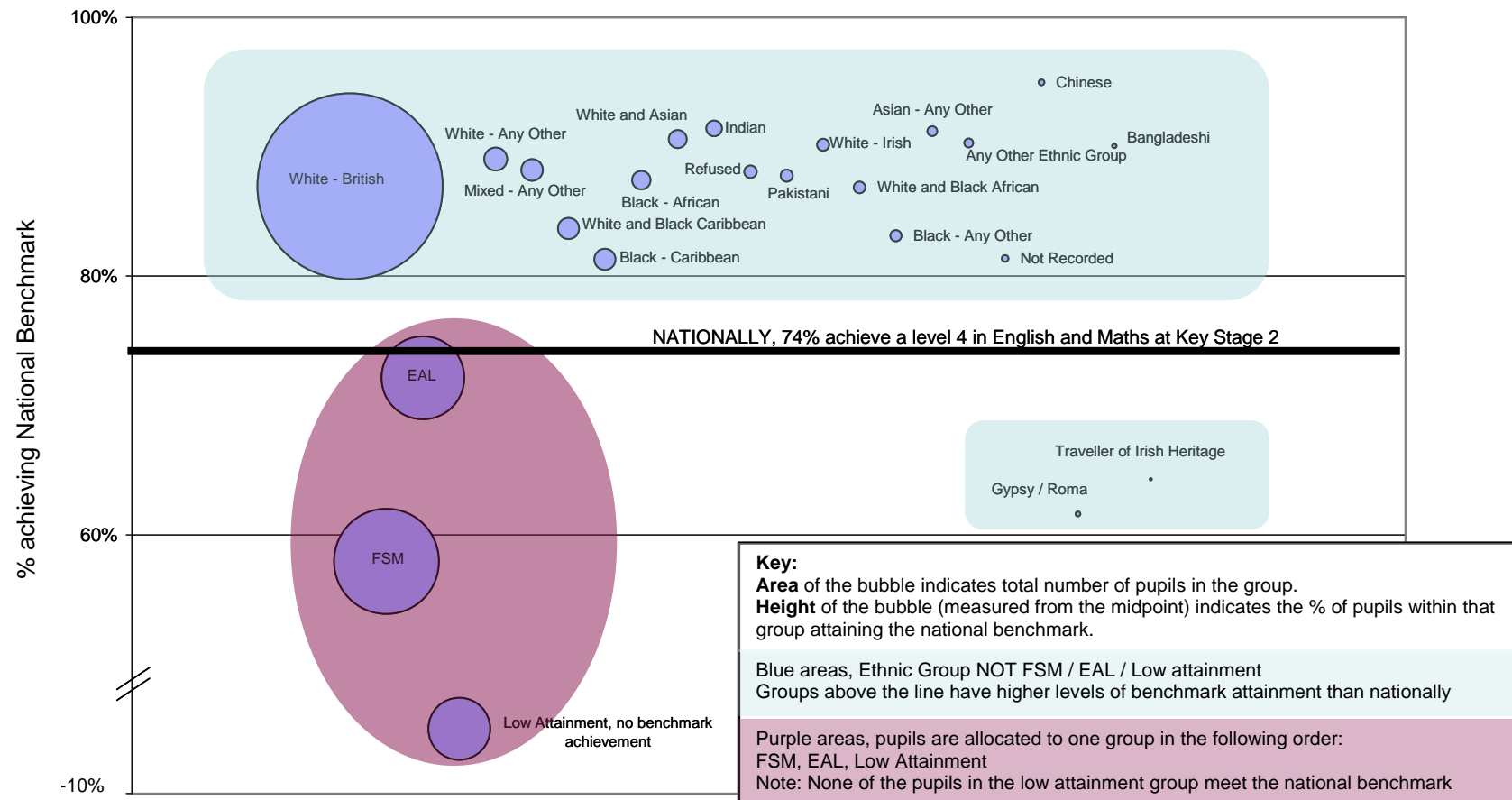
Annex 3 -

This chart shows attainment data for pupils in the Key Stage 2 assessment cohort for 2011 (c.83000 pupils) from Under-Performing Ethnic Groups. The highlighted groups would be supported by the factors for Deprivation and EAL.



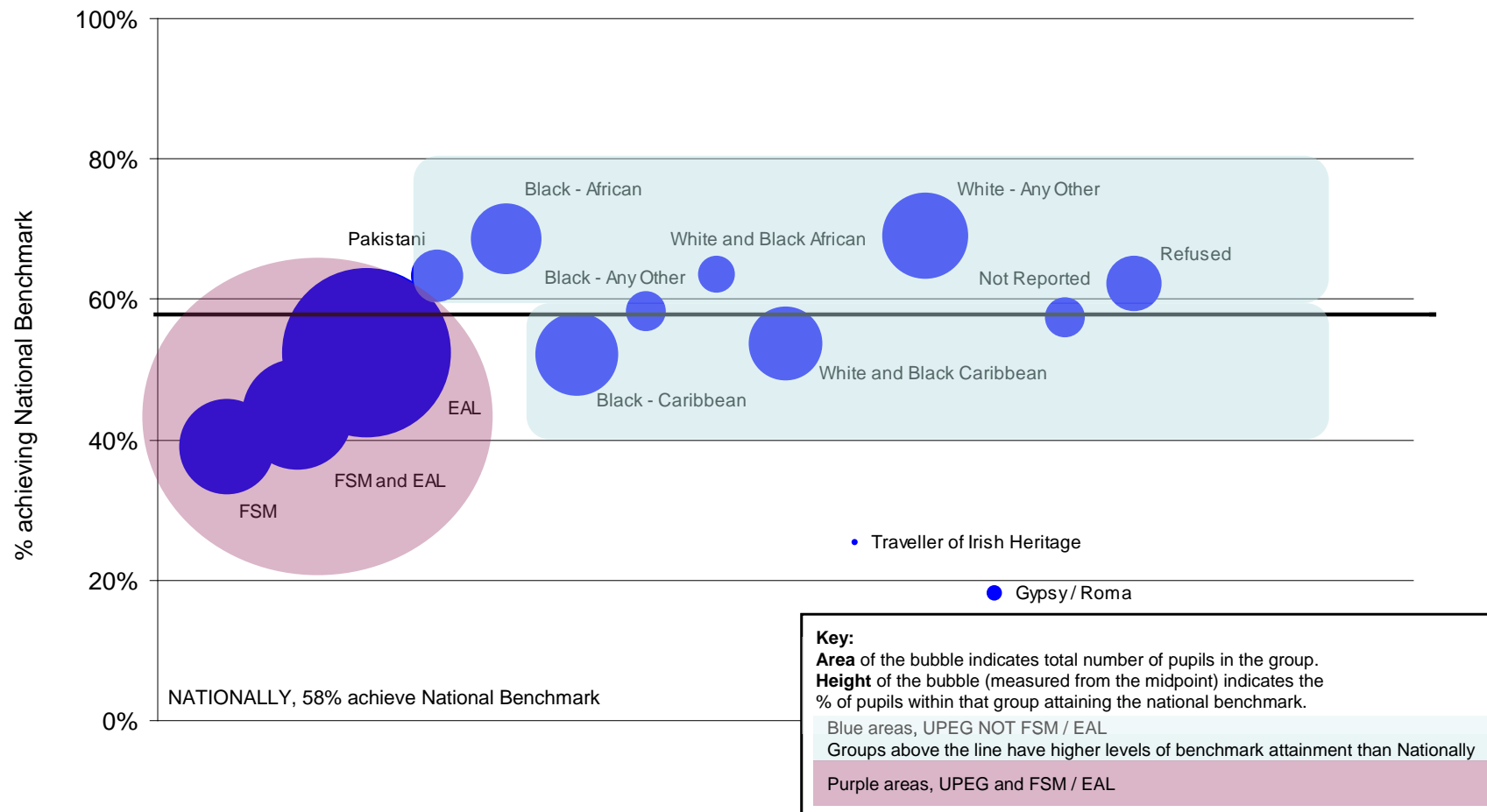
Annex 4

This chart shows attainment data for all pupils in the Key Stage 2 assessment cohort for 2011 (c.550000 pupils). The highlighted groups would be supported by the factors for Deprivation, EAL or High Incidence SEN.



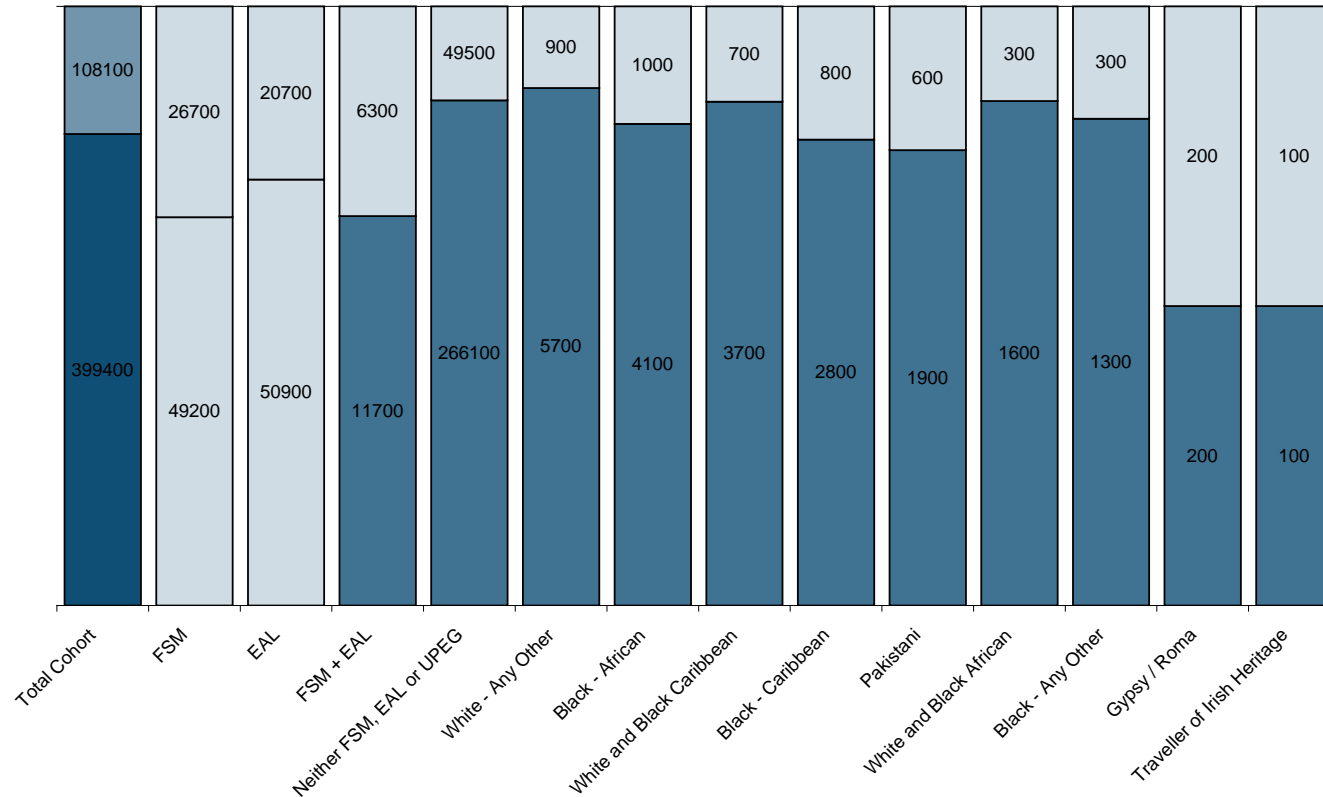
Annex 5

This chart shows attainment data for pupils in the Key Stage 4 assessment cohort for 2011 (c.74000 pupils) from Under-Performing Ethnic Groups. The highlighted groups would be supported by the factors for Deprivation and EAL.



Annex 6

This chart shows attainment data for all pupils in the EYFSP assessment cohort for 2011 (c.500000 pupils). The highlighted groups would be supported by the factors for Deprivation, EAL or High Incidence SEN. (Values given have been rounded to the nearest hundred)



*Light Blue blocks indicate pupils covered by one or more indicators

*The pupils below the line met the benchmark (at least 78 points)

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