

REVIEW OF FUNDING FOR SOCIAL DEPRIVATION

Report of the Director of Children Schools and Families

Author: Jonathan Burberry
Tel: 01992 555943
Executive Member: David Lloyd

1. Purpose of Report

To outline the process and outcomes of a review of deprivation funding and seek the views of the Forum on the proposed changes.

2. Background

- 2.1 Forum members will know that all authorities have been required by the DCSF to review the way in which they fund schools for "deprivation". The review encompasses both the total amount of funding being allocated for "deprivation" (in school budget shares and centrally) and the way in which the funding distribution differentiates between schools. Any changes are to come into effect in April 2008 and thus need to be consulted on in Autumn 2007.
- 2.2 The DCSF's aim is to narrow the attainment gap between deprived pupils and other pupils and the deprivation funding review is an aspect of that strategy. The review is intended to ensure that authorities are allocating and targeting funding in the best possible way to narrow the attainment gap.
- 2.3 One of the challenges with this exercise has been that the DCSF has been changing its view about exactly what is meant by "deprivation" funding and new guidance has been published during August. The DCSF has identified the notional amount of funding for additional educational needs and for deprivation within each authority's Dedicated Schools Grant (DSG). Deprivation is considered as effectively a subset of AEN, therefore a proportion of SEN funding can count as "deprivation" funding. Funding for high cost pupils, such as pupils in special schools and ESCs, however, is excluded.
- 2.4 This paper firstly considers the total quantum of deprivation funding in Hertfordshire and then reviews its distribution between schools.

3. The deprivation funding quantum

- 3.1 At the beginning of August, the DCSF published percentages for the notional share of the Dedicated Schools Grant attributable to AEN and deprivation. There are two significant differences between this new guidance and the information the Department had previously quoted:

- i) The percentages are higher. For Hertfordshire the deprivation percentage of DSG for 2007/08 is 6.5%, compared to 6.2% quoted previously. The AEN percentage is 7.6%. The increase is caused by changes made by the DCSF in the method of calculating the percentages.
- ii) The DCSF announcement has also changed authorities' understanding of what can count as "deprivation" funding. For example only 75% of the non stated SEN and personalised learning funding which is allocated on the basis of prior attainment can be attributed to deprivation. (Previously Hertfordshire and most other authorities had understood that all this funding counted against the notional deprivation total.) However, funding for lower level statements, which is allocated to schools formulaically using deprivation related indicators, (e.g. Hertfordshire's Predictable Needs funding) can be counted.

3.2 The notional amounts of DSG identified by the DCSF are not specifically ring-fenced for AEN and deprivation. However, in practice the DCSF do see these amounts as benchmarks. Therefore all authorities have had to complete, and return to the DCSF, templates which compare their own spending with their notional DSG allocations for AEN and deprivation. The DCSF provided some guidance on what could be "counted" in this comparison. However, a number of uncertainties around the definition of deprivation funding still remain.

3.3 Annex A shows the Hertfordshire template. Elements of the school budget shares and central expenditure, which have been attributed wholly or partly to AEN and deprivation, include:

In school budget shares - social deprivation funding
 - non stated SEN funding
 - allocations for Nurture Groups & Learning Support Units
 - funding to provide free school meals
 - the deprivation and attainment elements of personalisation funding.

Central expenditure - predictable needs SEN funding devolved to schools by free school meals and attainment,
 - free school milk
 - nursery funding for 2 year olds (which is limited to children from deprived backgrounds)

3.4 Overall the current Hertfordshire spend is marginally less than the DCSF notional allocations, at 93% of the AEN "target" and 96% of the deprivation "target". (Informal contacts with neighbouring LAs indicate that in general they are further below their DCSF targets than Hertfordshire is). A point to bear in mind is that this comparison exercise is not an exact science and therefore too much significance should not be attached to minor differences.

In the light of this, the Forum will want to consider whether or not social deprivation should be a first priority in the allocation of any growth funding from headroom for the coming three year funding period. One option would be to allocate to social deprivation any funds that were freed up by reductions in the amount of MFG protection in 2008/09 and future years. However, as MFG protection totals only £0.7 million, this would not generate major resource.

4. Distribution of deprivation funding

- 4.1 Currently Hertfordshire social deprivation funding is mainly distributed according to free school meal entitlements, with an element for children in public care. Schools with higher percentages of pupils entitled to free school meals receive additional funding. Non stated SEN funding is distributed according to both free school meal entitlements and attainment data.
- 4.2 A number of other deprivation indicators are now available and the DCSF has classified all the deprivation funding indicators available into four groups:
- a) Income based indicators-in addition to free school meal entitlements, these include the “income deprivation affecting children” index (IDACI).
 - b) Census (Area Based) indicators
These include the index of multiple deprivation, commercial measures such as Acorn, and census data.
 - c) Attainment indicators, such as SATs and GCSE results.
 - d) Specific pupil based indicators
These include levels of pupil turnover, or the numbers of children in care or from particular ethnic groups.
- 4.3 With the exception of FSMs, indicators in groups a and b above tend to work on a postcode basis. Each pupil’s home postcode is available from the School Census. The postcode can be matched to a geographical area called a super output area” for which a specific deprivation indicator is available, thus measuring the level of deprivation of the pupil’s home area.

5. Analysis of Main Deprivation Indicators

- a) Income Based Indicator-Free School Meals (FSMs)
Historically this has been widely used and it remains a good indicator. It is pupil specific, readily available (from the school census) and regularly updated. The main criticisms of FSMs as an indicator are:
- the data can be distorted by people not applying,
 - pupils are either entitled or they are not. Therefore it does not provide finely tuned distinctions between different levels of deprivation.
 - rules for tax credits have slightly reduced numbers eligible for FSM.

The next three indicators all involve classifying geographic areas .

- b) Income based Indicator-IDACI
This indicator is published by the government and measures the proportion of pupils under 16 living in low income households. A percentage is allocated to each lower layer super output area in the country. Pupils are matched to these areas according to postcode.

The disadvantages of IDACI are shared with other postcode based deprivation indices, namely:

- the index figure for the pupil’s home area may not be applicable to the pupil’s individual home and circumstances,
- the index is based on 2001/02 data and there are currently no plans to update it.

- c) **Area Based Indicator – Index of Multiple Deprivation (IMD)**
An index based on a wide range of measures but not specifically related to children. A rank is given to each lower super output area. The disadvantages of IDACI also apply to IMD.
- d) **Area Based Indicator-Acorn**
This is a commercial market classification product. It classifies areas according to a wide range of categories. Pupils are matched to areas by postcode. Authorities planning to use Acorn often already use the data for other purposes and thus have a license. Hertfordshire does not currently use Acorn data or have a license, which would be £1300 for the first year and then £900 per year. (A contract must be for at least three years)
- Particular disadvantages of Acorn are:
- as it is a commercial product the calculations underpinning the index are confidential. Therefore people using the index don't know how the figures have been arrived at.
 - we understand that Acorn data is partly based on census information which would therefore be as at 2001.
- e) **Attainment Data**
This is already extensively used for funding in Hertfordshire, in non stated SEN and personalised learning funding, Predictable Needs SEN funding and the School Standards Grant (Personalisation).
- f) **Specific Pupil Based Indicators**
The main example of this in the current funding formula is the £975 per child in public care allocated within the social deprivation funding.

6. Modelling

- 6.1 IDACI and IMD data has been taken for each lower super output area in Hertfordshire. These areas have been matched to postcodes and thus to pupils. As a result an IDACI and IMD score for each school has been established. Nursery pupils have been analysed separately. This data has then been put alongside pupil numbers and FSMs numbers from school budget shares. Modelling has then been carried out on the data. Approximately 800 pupils (400 each in primary and secondary) had postcodes which could not be matched. This comprises approximately 0.5% of the total number of pupils. Unmatched pupils are excluded from the calculations of IDACI and IMD scores shown below.

7. Primary (excluding nursery)

- 7.1 There is a very high correlation of 0.94 between schools' IDACI and IMD scores per pupil. Therefore there seems little point in including both these indicators in further analysis. It is proposed that IMD be discarded because unlike IDACI it is not specific to children.
- 7.2 With Acorn the lack of transparency seems to be a key drawback. This was cited by the DCSF as a reason for not using Acorn data to distribute DSG.
- 7.3 There is some negative correlation (ie the higher the deprivation indicator the lower the score) between Key Stage 2 SATS average points scores and both free school meals and IDACI. However, this correlation is not particularly high at approximately -0.6. It is marginally higher for FSMs than IDACI.

7.4 There is a good correlation 0.84 between FSMs and IDACI but it is considerably lower than between IMD and IDACI. We have looked at the comparison between IDACI and FSMs in more detail.

Firstly we looked at pairs of schools which had the same average IDACI score per pupil but widely differing FSM entitlements per pupil. In each case we selected the two schools for the pair by taking the schools at either end of the range of FSM entitlements per pupil for this IDACI score. Annex B lists a number of these pairs of schools. In the majority of these examples, the school with the higher FSMs had the lower average points score.

7.5 We also looked at pairs of schools with the same number of FSM entitlements per pupil but differing IDACI scores. In each case we chose for the pairs the schools with the highest and lowest IDACI scores for this FSM entitlement level. There was not any consistency that the school with the higher (more deprived) IDACI score had the lower average points score.

7.6 The modelling therefore suggests that FSMs remains a particularly good indicator for identifying challenging schools.

8. Secondary (excluding sixth form)

8.1 The overall pattern is very similar to primary with:

- a very high correlation between IDACI and IMD of 0.96,
- a reasonable negative correlation between the deprivation measures and KS3 average points scores, (which is marginally higher for FSMs 0.76 than for IDACI 0.72).
- good correlation of 0.85 between FSMs and IDACI,
- for pairs of schools with the same IDACI scores per pupil the school with the higher level of FSM entitlements per pupil tends to have the lower average points score. However, for pairs of schools with the same level of FSMs per pupil but different IDACI scores, there is no consistent pattern of the school with the higher IDACI score having a lower average points score. The pairs are shown in Annex C

8.2 FSMs is arguably a less good measure in secondary as the level of FSM entitlements is lower than in primary, presumably partly reflecting a tendency for families not to register for FSMs as children grow older.

We have modelled the impact of moving from FSM entitlements to IDACI scores for distributing the basic allocation of social deprivation funding. The impact is shown in the table below:

Table 1 - Impact of moving to IDACI scores

	Range (£)	Secondary Schools
Gainers	5000 to 10000	11
	1000 to 5000	27
	0 to 1000	4
Losers	0 to -1000	4
	-1000 To -5000	17
	-5000 to -10000	9
	-10000 to -16500	3

Largest Gain Dame Alice Owen's School		£9,914
Largest Loss Francis Bacon School		-£16,476

Therefore the level of FSMs still seems to be a better indicator of challenging schools and no change in funding arrangements is proposed.

9. Nursery

- 9.1 Due to the part time nature of provision many nursery children, who are eligible on deprivation grounds, are not registered for FSMs. Therefore in the current funding formula a notional number of nursery FSMs is used for funding, based on the FSM % of the primary age pupils in the school. (For nursery schools the FSM % of linked primaries is used to generate the notional number of FSMs.) The notional number of FSMs is also used to calculate non stated SEN funding for nursery pupils. Thus, currently the data used for nursery pupils does not reflect characteristics of the current nursery cohort.
- 9.2 The DCSF is requiring authorities to introduce a single funding formula for all early years provision including private nurseries with funded free places. It would not be possible to use the notional nursery FSM approach with private nurseries. It is therefore proposed to switch to IDACI scores for distributing social deprivation and non stated SEN funding for nursery pupils. The system of allocating additional social deprivation funding to the schools with higher levels of deprivation would be retained.

The proposed new formula for nursery pupils allocates the same amount of funding for each element of the formula as is allocated currently for nursery pupils. Based on 2007/08 data the new formula is:

- 1) Basic social deprivation funding: total IDACI score for nursery pupils in the school * £141,
 - 2) Non stated SEN funding: total IDACI score for nursery pupils in the school * £297,
 - 3) Additional social deprivation funding (payable if a school's total IDACI score for nursery pupils, expressed as a percentage of its number of nursery pupils, is greater than 17%): the amount by which the IDACI score exceeds 17% of the nursery pupil numbers * £563.
- (As currently, marginal pupils would not attract SEN or deprivation funding.)

- 9.3 The impact of these changes is shown below for primary schools with nursery pupils.

Table 2 – Impact of move to IDACI for nursery classes, social deprivation and non stated SEN funding.

	Range (£)	Number of Schools
Gainers	4000 to 5000	1
	3000 to 4000	3
	2000 to 3000	8
	1000 to 2000	31
	0 to 1000	111
Losers	0 to -1000	83
	-1000 to -2000	23
	-2000 to -3000	9
	-3000 to -4000	4
	-4000 to -5000	1
	-5000 to -6000	2
Total		276

10. Conclusion

10.1 The Forum is asked to:

- comment on the report,
- consider whether or not deprivation funding should be a first priority for the allocation of headroom in the coming three year funding period,
- consider whether any reductions in MFG protection should be switched to deprivation funding.
- agree the change to basing social deprivation and non stated SEN funding for nursery pupils on IDACI scores rather than notional FSM entitlements.
- consider whether or not the attainment of deprived children could be improved by any further move away from FSMs as the main indicator of deprivation funding.