

department for

education and skills

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Sanctuary Buildings
Great Smith Street
Westminster
London SW1P 3BT

tel: 0870 0012345

fax:

info@dfes.gsi.gov.uk

www.dfes.gov.uk

**To: Directors of Children's Services / Directors of
Education of local authorities in England**

Direct line: 020 7925 5580

Local fax: 020 7925 5852

22 December 2005

SCHOOL FUNDING

1. SOCIAL DEPRIVATION 2. PERSONALISATION FUNDING

1. On 7 December 2005 this Department and HM Treasury jointly published the report *Child Poverty: Fair Funding for Schools*¹, together with a publication statement (copy enclosed) that sets out the steps the government will now be taking to encourage a more equitable distribution of deprivation funding for schools. One of these steps is to ask every local authority to review its current arrangements for funding schools for the costs of deprivation, and to consider in conjunction with its Schools Forum whether change is required.

2. This letter sets out details of the information which, as part of this review process, the Department is seeking from every local authority about its policy and practice in funding schools for the costs imposed by social deprivation amongst pupils.

3. As described in the statement, the intention of Ministers is to stimulate local debate over the best way to use the funds which are allocated to local authorities, in terms of supporting the education of pupils from deprived backgrounds. In drawing up the material which is requested in this letter (details at Annex A), the authority is therefore asked to involve its Schools Forum and as wide a range of other stakeholders as possible.

4. Authorities are also being asked through this exercise to say how they have responded to the earmarking of funding for personalised learning at Key Stage 3 and primary level within the Dedicated Schools Grant (DSG) for 2006-07 and 2007-08. As well as completing the picture on the use of funding allocated for deprivation, this will help the Department to review the distribution methodology for the DSG for 2008-09, as Ministers have promised.

5. Statements received from authorities will be collated and published by the Department, probably in June 2006, in easily-accessible form alongside relevant data on the attainment of pupils in each authority (see Annex B). This is intended as a resource for authorities and their partners to use in their local reviews of the way in which the school funding formula targets funding for deprivation (as discussed in more detail in the publication

¹ This can be found at www.teachernet.gov.uk/deprivationfundingreview



statement). The Department, mainly through its Children's Services Advisers, will be monitoring progress in each authority towards ensuring that deprivation resources are distributed according to need for the three-year funding period which begins in 2008-09, and results will be reported periodically to Ministers in DfES and HM Treasury. Although the publication statement is mainly directed towards change from 2008, the settlement ensures that all authorities have headroom to begin to respond to the conclusions of the deprivation review in 2006-07 and 2007-08.

6. Information on the funding received by local authorities for deprivation through the DSG can be found within the DSG funding model for 2006-07 and 2007-08

www.teachernet.gov.uk/dsg200608.

Data for 2005-06, updated to identify deprivation resources can be found at

www.teachernet.gov.uk/management/schoolfunding/2005-06_School_funding_arrangements/.

7. As the publication statement points out, the Department is also commissioning a technical review of deprivation indicators. This is intended to assist authorities and others in considering changes to funding formulae, by making available a systematic and comprehensive assessment of the advantages and disadvantages of various approaches to measuring deprivation for the purposes of allocating school funding. The Department is currently inviting tenders for this work and intends to let a contract by the end of January 2006. The resulting report will also be published in late Spring 2006.

8. I should be grateful if you would make arrangements for the requested material to be prepared and sent to the Department, preferably by email to schoolfunding.deprivation@dfes.gsi.gov.uk by **5 May 2006**. This information is required by the Secretary of State under section 29 of the Education Act 1996.

9. Enquiries about this letter should be addressed to me on 020 7925 5580 (email jonathan.anstey@dfes.gsi.gov.uk).

10. I am copying this letter to your Chief Executive, Chief Finance Officer, Education Finance Contact(s), and the Chair of/Clerk to your Schools Forum.

Yours sincerely



Jonathan Anstey
School and LEA Funding Division

1. Each local authority is asked to supply to the Secretary of State by **5 May 2006** a statement setting out the authority's policy and practice – based on its school funding formula for 2006-07 - in funding schools for the costs arising from social deprivation amongst their pupils. The statement should be suitable for publication, and drawn up in consultation with the Schools Forum and other relevant stakeholders.

2. There is – deliberately - no prescribed format for the statement, because it is intended that so far as possible it should reflect local priorities, local views, and local wishes. However, it would be helpful if the following guidelines could be followed:

a. The statement should not exceed 3 sides of A4 in length, and there should be no annexes or other additional sections, because there will be no space to publish these;

b. The statement should describe how the local school formula delivers extra funding to schools to meet extra costs arising from social deprivation. Because of the way in which such funding often interacts with funding for high incidence SEN, and also English as an Additional Language it may be necessary, or at least desirable, to cover those issues as well;

c. The description should make clear the overall financial resources used at authority level, but also the impact at individual school level. This can, if wished, be done through exemplification based on specific schools;

d. The statement should make clear the way(s) in which social deprivation is measured for the purpose of the formula. Although the review concentrates on the use of FSM eligibility to define social deprivation, we know that authorities use a wide range of other indicators and the technical review mentioned in the cover letter will cover these;

e. The statement should clearly set out the policy approach that underpins the current formula. It would be helpful if a brief historical perspective could be included showing how the current position was reached, the national and local pressures perceived by the authority (including the influence of central government grants on local practice, and the 'Every Child Matters' agenda) and also looking forward to any changes already planned for 2007 if the formula published for 2006-08 incorporates those. If there have been recent relevant formula reviews these should be mentioned;

f. the statement should also show clearly how funding allocated within the DSG for personalised learning at Key Stage 3 and primary level has been allocated to schools in 2006-07, with details of any changes planned for 2007-08, and the rationale for this distribution. This can either be done as a separate item or integrated with the main material about deprivation funding; if integrated into the material about deprivation funding, the statement should make clear how the relevant elements of the local schools formula have been changed, for 2006-07 and 2007-08, as a result of the personalisation learning DSG funding;

g. the statement should be supplied in WORD format, not as a .pdf document or other format, to assist collation and publication. It should be emailed to schoolfunding.deprivation@dfes.gsi.gov.uk.

Attainment

When authorities' statements are published, they will each be accompanied by a sheet setting out some basic data for attainment by pupils in that authority area, with the specific purpose of demonstrating how deprived pupils – as measured by FSM eligibility – fare in educational terms compared with other pupils. Comparable national data will also be published. A final decision on the data to appear will be taken just prior to publication, but it may be useful for authorities to know that the information is likely to include:

- a. a chart showing for each Key Stage, the relative attainment within the authority of FSM and non-FSM pupils;
- b. a chart showing attainment at a particular Key Stage (not yet decided but possibly KS2) in each of the schools in the authority relative to the school's FSM eligibility rate (schools would each be shown as a dot on the chart, without names);
- c. a chart showing the attainment of FSM and non-FSM pupils at a specified Key Stage in schools banded according to levels of FSM eligibility in those schools (ie, to demonstrate whether pupils, whether deprived or not, are adversely affected educationally by being in a school with high levels of FSM pupils).

Such charts are already included, or referred to, in the review text. The purpose of publishing this information authority-by-authority would not be to draw conclusions about the effectiveness of schools in the authority concerned, but simply to illustrate the extent to which there are attainment gaps which can be analysed by reference to social deprivation. Deprivation is not, of course, the sole determinant of educational outcome, especially at individual pupil or school level; but the correlation is so strong and persistent that funding strategies need to take it into account.