

**Department for Education****EQUALITY ANALYSIS BASIC NEED FUNDING****Title**

Determining the methodology for the allocation of £500m Basic Need funding

**Description of the policy – Background**

On 19 July 2011, the Secretary of State for Education announced in the House of Commons that he would allocate, to local authorities, £500m of basic need capital, generated from Building Schools for the Future (BSF) savings. He stated that the funding would be allocated in the 2011-12 financial year to the local authorities with the greatest demographic pressures so that they could provide enough places, in particular at primary schools, in September 2012. Local authorities are responsible for providing sufficient school places to meet pupil demand. This money was in addition to the £800m announced for basic need in 2011-12. The announcement can be found in the House of Commons Hansard debates for 19 July 2011 columns 792 and 793.

**This impact assessment looks at the methodology for making the allocations.**

Options for deriving allocations have been calculated over the summer and early autumn of 2011 and will be announced in November 2011.

The Secretary of State recognised that some local authorities are facing real pressures in ensuring that every child has a school place. In some areas these pressures are being felt now - ie there are not enough places now to meet rising demand.

For that reason, the chosen methodology concentrates funding to meet shortfalls in capacity rather than funding increasing numbers on roll.

**The evidence base (the information on which you have based your analysis)**

The Department for Education has received a number of representations from local authorities about the pressures they face in relation to basic need. Earlier this year Departmental officials undertook work to understand the scale and nature of basic need issues. This included undertaking telephone surveys and visiting local authorities to discuss the issues. There has been

a sustained rise in the birth rate and less movement from urban areas, which has led to surplus places in the school system not matching the location of demand.

The Department receives an annual return from local authorities which shows, for schools in their area, the capacity of a school, the numbers currently on roll and a projected forecast of pupil numbers, which takes into consideration known and expected trends for each locality. Whilst the Department has evidence about where the greatest pressures are, we do not have specific qualitative or quantitative evidence to suggest that groups with protected characteristics are more or less likely to be adversely affected by a shortage of places. However, ensuring local authorities, especially those in urban areas, which are more likely to have protected groups within their population, have sufficient places, will enhance the equality of opportunity for all groups.

The last annual School Capacity (SCAP) data return was submitted in 2010 and the Department used the information provided to run proposed models for allocating this redirected funding. Proposed basic need allocation figures were calculated as an example of how final basic need allocations could be generated. However, there were weaknesses in the data collected and its allocation – for example, existing capacity was not taken into account. We are therefore revising the allocation methodology to ensure that funding is targeted to where it is most needed (the Secretary of State's stated aim for this funding).

Each local authority has now submitted its 2011 SCAP return and it is this information, once cleansed, that the department has used to finalise allocations we intend to announce.

This has ensured that the most up to date information is used when determining the allocation of the additional £500m basic need funding.

### **What the evidence shows – key facts**

A lack of school places could reduce the ability of parents to have their child placed in their preferred school, with a potential impact on parents' ability to choose a particular faith-based or non-faith-based education; or single sex or co-educational school for their child.

Officials do not believe that basic need pressures impact on equality of opportunity, or that pupils of any one particular religion of belief, sex or those with special needs would be disproportionately affected compared with other pupils. While we do not think any particular group would be disproportionately affected, allocating funding to local authorities with the greatest need for places would mean that they would be able to expand to meet the needs of their local population, including ensuring a sufficient number of places in faith or non-faith, special and single sex schools. The Department, through

Partnerships for Schools, continues to work closely with its partners including the voluntary aided sector to ensure their needs continue to be met.

The initial evidence showed (using 2010 data) that there were many LAs with rising pressures on school places. Analysis was undertaken to determine which methodology should be used to allocate the additional basic need funding. Any methodology had to be able to deliver the funding to local authorities as quickly as possible to ensure funding was not lost to the education sector. Local authorities have the flexibility to carry forward funding from one financial year to the next whilst the Department does not.

A decision had to be taken on whether the methodology should be based on a bidding process or on a formulaic allocation basis. On the basis that we hold good quality data on where pressures lie and given the time required to undertake and evaluate a bidding process, it was decided to use a formulaic allocation in order to get the funds out to local authorities as quickly as possible.

A decision was then needed to agree which phase of education should receive a share of the available funding. Initially it was felt that the funding pressures were mainly at primary level and therefore money should be targeted to the primary phase only. However, when sample calculations were undertaken it soon became apparent that some LAs did not have a major primary place issue but did have a secondary place issue. For that reason we chose to use a methodology that covered both the primary and secondary phases; this will improve equality of opportunity for different age groups.

We then considered which baseline should be used as a starting point for the calculations. We had to decide whether to use numbers on roll as the starting point and then look at growth from that figure, or school capacity. Using numbers on roll would generate an allocation for every local authority. Allocating funding this way would not, however, meet the wish for funding to be allocated to those local authorities in greatest need. This method was used to allocate the £800m of basic need funding for 2011-12. It has been criticised by some stakeholders on the basis that it does not differentiate between local authorities on the basis of available capacity. Calculating on the basis of capacity generates funding to those local authorities with current anticipated need for additional places based on local authority/district level data. We know, however, that it can mask local pressures, because spare capacity may not be where it is actually required. Furthermore, capacity data does not include additional capacity already provided in September 2011, which means that, in some cases, the shortfall could be overestimated.

On balance, we favoured using capacity as the baseline because it was more likely to address overcrowding in schools. Overcrowding has a

particular impact on pupils with mobility difficulties, hearing difficulties, and other learning needs.

Finally we had to establish on what basis allocations would be made. The Secretary of State's announcement stated he wanted funding to go the areas with the greatest demographic pressures. Using 2010 data to exemplify the effect that revised modelling would have, we calculated allocation figures, based on varying increases in the primary and secondary sectors, and decided on a cut-off to target those authorities with a growth forecast that showed a shortage of more than 250 primary places and or 160 secondary places. This highlighted, using 2010 data that 68 local authorities (45%) would receive an allocation which meant funding was going to those areas that needed it most.

### **Engagement and involvement**

There has been a great deal of interest generated since the announcement of the additional £500m to meet current basic need pressures.

The agreed methodology has been established following meetings with both internal and external partners.

Partnerships for Schools (PfS) have a dedicated team which looks after pupil place projections. Being the Department's delivery agent they are in regular contact with local authorities and have fed into the process concerns about which they are aware.

A meeting has been held with London Councils and they explained how, in their opinion, previous basic need allocations did not recognise local authorities that had experienced the highest growth. London Councils stated that whilst authorities in their area had experienced 40% growth over the last spending review period they had only received 28% funding. They felt that this funding could have been split into two pots one to fund previous years under funding of basic need pressures and one to meet current pressures.

The department's officials have met a number of authorities with basic need pressures, and have taken into consideration their views on previous basic need allocation processes.

The Education Building Development Officers Group (EBDOG) has also been consulted on the proposed methodology to be used to allocate this additional £500m.

### **Challenges and opportunities**

The challenge for the department is to ensure that funding is allocated to those local authorities that are experiencing the greatest pressures. It is

imperative that we meet those challenges head-on and come up with a system that delivers funding to those local authority areas. In the past, by allocating funding based on increased numbers on roll, the department was not taking into consideration that, while schools could be experiencing increased numbers, they were not experiencing over-crowding because they were carrying surplus places. By calculating this (and potentially future) basic need allocations on the basis of capacity, the department is diverting funding from those areas that could potentially manage an increase in pupil numbers in current accommodation to those areas which, without increased allocations, would suffer through overcrowding.

### **Equality analysis**

**An adverse impact is unlikely and, on the contrary, the policy has clear potential to have a positive impact by reducing and removing barriers and inequalities that currently exist.**

Potential additional funding will always generate great interest from those who would like a share of it. The Department's role is to meet the Secretary of State's objective of funding those areas experiencing the greatest need .

This funding will not be ring-fenced for any particular age group and so local authorities will be free to address the local needs of all phases of education in their area.

On receipt of a basic need allocation, it is the responsibility of the local authority to decide how that money is spent. By providing the funding on a non-ring-fenced basis, the money will be targeted to meet the greatest local need. If the local need is for places at establishments with a high proportion of pupils with protected characteristics, then this additional funding will enhance opportunities for those groups. The funding can also be used to fund places covering the whole of the school age range and not one specific phase.

### **Next steps**

Any agreed changes to the proposed methodology detailed in the assessment will be addressed in the final submission to the Secretary of State when the Department will be seeking approval to announce proposed allocations.

Future funding of basic need will be considered to ensure equality issues are addressed. This could be the subject of a future recommendation.

We will continue to monitor the need for new places and any equality impact.

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