

Department for Education

EQUALITY IMPACT ASSESSMENT

Title

Consultation on the principles behind a new funding formula for schools arising from the review of the Dedicated Schools Grant (DSG)

To note - New Government

The review of school funding was started by the previous Government and it was consulting on this at the time of the election. [The impact assessment is an assessment of the previous Government proposals.](#) The consultation ended on 7 June 2010.

The Government has already committed to changes to the funding system through the introduction of a pupil premium for disadvantaged children. In considering the detailed operation of the premium and any other changes to the funding system, Ministers will want to consider responses made to the consultation. As well as the premium, any changes to the system will need to support the Government's policy objective of giving schools more freedom including through increasing the number of Academies and making it easier for parents and other groups to start new schools. We expect to be launching a second consultation on school funding in the summer.

Description of the policy

Background to school funding

Revenue funding for schools is provided through central government grants paid to Local Authorities (LAs). In 2010-11 school revenue funding will amount to over £42 billion, most of which is paid through the Dedicated Schools Grant (DSG). In addition to the DSG there are a number of specific grants, the largest grants being School Development Grant and School Standards Grant, but also including other smaller grants such as the Ethnic Minority Achievement Grant and School Lunch Grant. Around £4.5 billion is currently allocated through specific grants.

The DSG, which is covered by a general education ring-fence, is paid to LAs and is then allocated to schools by means of individual LA formulae. Specific grants, which are covered by a tighter ring-fence relating to the specific nature of the grant, are often passed on to schools from LAs outside the LA formula.

The funding that local authorities receive through the DSG is currently based on the Spend Plus methodology. The Spend element gives LAs the same basic increase per pupil over their level of DSG per pupil for the previous years, with

LAs' planned spending in 2005-06 as the baseline for the first DSG allocations in 2006-07. The Plus element consists of additional funding for ministerial priorities, the major priority for 2008-11 being the roll out of personalisation to all pupils.

As the Spend Plus methodology is not adjusted for year on year changes in pupil characteristics between authorities the further the funding year moves from the 2005-06 base year the less accurate it becomes at reflecting current needs.

Review of Dedicated Schools Grant

That is why a wide-ranging review of the DSG formula in January 2008 was launched, with the aim of developing a simple and transparent formula for allocating DSG which would distribute resources in line with relative needs, recognising the different costs of educating particular groups of pupils and providing education in different areas. We are now consulting on proposals and as part of the process have conducted an equality impact assessment.

Equality assessment

We consider that the proposals set out in the consultation document *Consultation on the future distribution of school funding* support the principles of the Department's equality policy. A key aim of the formula is that it should support schools to narrow the gaps in achievement between different groups of pupils. In doing so it should recognise that different pupils need different levels of support in order to help them achieve. Within the DSG proposals, the intention is to continue to provide additional funding for pupils who have English as an additional language and all underperforming groups, including underperforming minority ethnic groups.

We have also needed to have regard to the impact of specific elements within formula proposals and, in particular, the proposal to mainstream the Ethnic Minority Achievement Grant (EMAG) into the DSG. This is a ring fenced grant – amounting to just under £200m in 2009-10 - allocated on a needs based formula to all LAs. The aims of the grant are to bring about whole school change in narrowing gaps for Black and minority ethnic pupils and to provide some additional financial support to meet the needs of bilingual learners and underachieving pupils. To simplify the funding process generally and develop a single needs based system, an objective from the outset of the review has been to mainstream as many specific grants as possible into the DSG. This will mean that while the more general DSG ring fence will continue to operate, the specific ring-fencing that currently applies to the specific grants proposed for mainstreaming, including EMAG, will no longer operate.

We consider that the arrangements should be at least as favourable to disadvantaged groups in the provision of services aimed at improving the attainment of ethnic minority pupils. The overall level of funding for EMAG and the other grants earmarked for mainstreaming was not only being maintained but was an area of frontline funding protected by the Government and covered by the 0.7% real terms increase across 2011-13 (as set out in the funding document *Investing of the future, protecting the front line – school funding 2010-13*). The

proposals will allow more flexibility to use wider DSG funding to target towards all underperforming pupils and there will be provision to allow local authorities to run a centralised service to support schools in narrowing the achievement gaps where that is considered more practical than delegating all of the funding to schools. This will be for the School Forum and local authority to decide.

The evidence base

The funding is provided in recognition that some pupils from Black and minority ethnic groups underperform educationally compared to their peers. EMAG has provided targeted funding to LAs to support pupils from underachieving Black and minority ethnic groups and pupils learning English as an additional language. EMAG is not the only source of funding for such groups: mainstream funding is also weighted towards ethnicity and EAL.

The allocation formula uses the number of pupils whose first language is other than English and numbers of pupils from minority ethnic groups who are underachieving – which for the 2008-11 three year spending period includes pupils of Black Caribbean, Black African, Black Other, Pakistani, Bangladeshi, Gypsy, Roma and Traveller and the following mixed heritage groups: mixed White and Black Caribbean and mixed White and Black African.

Local authorities may retain up to a maximum of 15% of their allocation or £150,000 whichever is the greater to deliver central services and direct pupil support. The remainder is delegated to schools using a local formula which should be needs based, fair and transparent and adequately reflect the numbers of bilingual learners and Black and minority ethnic pupils who are underachieving in those schools.

What the evidence shows – key facts

There will be a number of factors which have contributed to the narrowing of the gaps in attainment for such pupils in recent years of which EMAG funding may be one. A simplified and streamlined funding system whereby a larger proportion of funding for schools is consolidated into the DSG should allow for more effective targeting and use of available funding to improve the attainment of underperforming and minority ethnic pupils. It could also trigger economies of scale. This should mitigate against any potential negative impact of retaining EMAG as a separate grant. LAs and schools are expected to monitor pupil performance strategies to determine which groups of pupils are in most need of targeted support.

Challenges and opportunities

It is a key aim of the policy for funding schools that it helps reduce and remove inequalities in success rates between different communities by raising the attainment and improving rates of progression in English, mathematics and science at Key Stage 2 and GCSE for certain communities, particularly those that evidence suggests are underachieving.

Equality impact assessment

An adverse impact is unlikely. On the contrary there is potential to reduce barriers and inequalities that currently exist. The intention is to ensure that the total of funding distributed through the formula towards underperforming minority ethnic groups and pupils with EAL was at least as great as the total of EMAG plus the amount of DSG already notionally distributed on that basis. There is insufficient evidence, however, for this assessment to be made with as much confidence as is desirable.

Next steps

Consultation started on the future distribution of schools funding on 15 March and closes on 7 June 2010. The responses to the consultation exercise will be considered before developing final proposals. A further consultation setting out school funding proposals will be issued later in the year. Schools will continue to be judged on outcomes, which will highlight any reversal in trends.

Ref: DFE-32074-2012