



**Local Government Association**

# fair funding?

LEA policies and methods for funding additional and special needs – and schools' responses

by Jennifer Evans, Frances Castle and Mairi Ann Cullen  
National Foundation for Educational Research

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INVESTOR IN PEOPLE



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# Executive Summary

## Background

This report relates to research commissioned by the Local Government Association as part of its Educational Research Programme, and undertaken by the National Foundation for Educational Research. It concerns local education authority policy and practice as regards the distribution of budgets to mainstream schools with respect to their pupils with special and additional educational needs; it builds on a series of NFER Membership Programme studies completed during the 1990s.

## Methodology

Data were collected by means of: an analysis of a sample (56 English LEAs) of budget statements prepared under the terms of the Education Act 1998 Section 52; case studies of six LEAs – three sets of authorities paired as being close statistical neighbours but having contrasting approaches to funding special education; and case studies of four primary and four secondary schools within each case study authority.

## Findings from analysis of Section 52 statements

Of the 56 local education authorities in the NFER sample:

- ◆ most allocated between three per cent and seven per cent of the LSB to special education, with the mean for the metropolitan authorities being smaller than that of the London authorities;
- ◆ all categorised spending differently and allocated different proportions of special education spending to each of the eight subheadings in the budget statement;
- ◆ just under half (26) allocated the largest proportion of their retained special education funding to provision for pupils with statements, with 20 authorities allocating the largest amount to pupils at independent special schools;
- ◆ the metropolitan authorities were more likely than other types of LEA to spend the largest proportion of the SEN retained budget on specialist support for pupils with and without statements, suggesting that these LEAs had retained sizeable specialist teaching support services;
- ◆ the majority spent either nothing, or the smallest proportion of the special education allocation, on LEA functions in relation to the Children Act 1989;
- ◆ the proportion of the notional SEN budgets within schools' base budgets ranged from nil allocation to 12.46 per cent (primary phase schools) and 12.43 (secondary phase schools), with metropolitan authorities tending to allocate the lowest proportions;

- ◆ allocations under Part 3a of the budget statements – pupil-led funding – varied enormously, from nil allocation, to a simple percentage of the AWP, to a more complex calculation involving multiple factors;
- ◆ factors used, singly or multiply, to determine allocations for pupils without statements included: entitlement to free school meals/ clothing grants, pupil mobility, data from SEN audit (single or multiple data from: stage on Code of Practice, end-of-key-stage data, other assessment data), numbers on roll in discrete categories (e.g. in care, in special unit);
- ◆ the majority of the sample indicated that funding for pupils with statements was not included in the formula or delegated to schools; those that did did so according to a per capita sum, individual support needs, category/band of difficulty, place in special unit, weighting according to school context.

## Findings from the case study LEAs

### The two county authorities

- ◆ *Similarities* included: prioritisation of inclusion, policy-driven funding mechanisms, consultative approaches seeking partnership with schools, largest proportion of the retained special education budget spent on out-county placements, centrally retained support services working in multi-disciplinary teams, audits for identification of higher levels of need, less than one per cent of pupils in LEA special schools.
- ◆ *Differences* included: focus on partnership (schools as opposed to parents), conception of the relationship between additional educational needs and special educational needs, mechanisms to identify high incidence/low level needs, degree of awareness of contextual and individual factors defining special educational needs, sophistication of monitoring arrangements, indicators of effectiveness (process vs outcomes).

### The two metropolitan authorities

- ◆ *Similarities* included: funding above the comparable but relatively low standard spending assessments, additional educational needs factor in the formula but delegating little via this factor, statements above the national average, segregated placements below the national average, resourced provision in mainstream schools, centrally funded support services providing personnel, some use made of out-borough provision, reviewing provision overall.
- ◆ *Differences* included: selective/non-selective education system, political persuasion, degree of delegation of funding for pupils without statements, existence/non-existence of notional SEN budget within Section 52 statement, proportion of LSB allocated to SEN, degree of devolvement of support services.



### **The two London authorities**

- ◆ *Similarities* included: high pupil mobility, shortage of pupil places, above-average statementing rates, below-average use of segregated placements, number of schools, proportion of LSB allocated to SEN.
- ◆ *Differences* included: social diversity, selective/non-selective education system, political persuasion, social deprivation indicators vs cognitive ability indicators, influence of funding mechanism in driving policy for SEN, intrusion of monitoring arrangements.

### **Emergent themes at the level of the local authority**

The profile of mechanisms for funding special education in the case study authorities seemed to be influenced by a series of factors which included: the political and historic culture of the authority, the conceptualisation of need, the rationale for particular mechanisms, policy as regards 'inclusion', and the monitoring and evaluation of practice.

### **Findings from the school case studies**

There were different degrees of consensus between schools' perceptions of the funding formula and those of the local authority; furthermore, schools had different abilities to influence the formula. There was often confusion about social deprivation and special educational needs: some perceived these as discrete categories; others as being closely related.

Across the case studies, schools received very different proportions of their budgets for special educational needs – even where they had similar proportions of pupils with identified special educational needs – often as a result of the identification methods used, the existence of resourced or unit provision, and the degree to which schools could claim support from centrally retained services.

Schools varied in the use to which they put the nominal budget allocated: for example, discrete time allocation for the special needs coordinator, salaries for a learning support department, and pupil-teacher ratios in relation to pupil groupings (e.g. enhanced staffing for lower sets). There was little consistency, in terms of method or, arguably, quality, in schools' arrangements for monitoring their special education provision or pupil progress in relation to resource inputs. Very little work has been done on the measurement of outcomes.

In the light of the influence of school management, organisation and culture, the influence of policy-driven funding was relatively weak; use of the budget and attitudes towards pupils with special educational needs were embedded in school processes which were far more potent than any messages from the framework of funding mechanisms.

## Challenges for local authorities emerging from the research

The overall picture is similar to that which emerged from earlier NFER studies through the 1990s – diversity and difference within and among local authorities. Any coherence between the intentions and effects of funding mechanisms was largely influenced by local culture and history rather than the technical possibilities of the funding mechanism *per se*. At all levels, monitoring and evaluation needed development, and negligible work had been done on the relationship between resource inputs and pupil outcomes: where monitoring was undertaken, it was with reference to the processes put in place as a result of resourcing decisions.

The research suggested that local education authorities should scrutinise the effects of funding policy in their own area and as realised in their own schools, and identify not only those factors which seem to be ‘incentives’ in encouraging school practice to be in line with local authority vision, values and corporate objectives (so that these factors can be strengthened) but also those factors which seem to be disincentives and discourage schools from aligning themselves with authority policy and/or positively encourage a perverse response (so that these factors can be eliminated).



# 1. INTRODUCTION

## 1.1 Background

This report relates to research commissioned by the Local Government Association as part of its Educational Research Programme and undertaken within the Department of Professional and Curriculum Studies at the National Foundation for Educational Research (NFER). It concerns local education authorities' (LEAs) policy and practice as regards the distribution of budgets to schools to address pupils' special educational needs. It develops themes investigated through the 1990s in research under the NFER's Membership Programme (Fletcher-Campbell with Hall, 1993; Fletcher-Campbell, 1996, Fletcher-Campbell and Cullen, 1999).

The issue of supplementary funding to support pupils with special and additional needs in mainstream schools has been a matter of discussion and debate since the inception of Local Management of Schools and formula funding in the early 1990s. For example, it occupied a major chapter in the original LMS Initiative Study (Coopers and Lybrand Deloitte/NFER, 1992) and was then pursued in The SEN Initiative (SEO/CIPFA/Coopers & Lybrand, 1996). According to Lee (1996), 'equity' was a principal aim of formula funding – that schools in similar circumstances should receive similar levels of funding. Extra funding to support additional needs, which vary between schools, is provided to increase equity, which he defines as both 'horizontal' and 'vertical': that is, the treatment of equals equally (horizontal) and the treatment of unequals unequally (vertical). This form of equity is achieved through the consistent application of rules and procedures.

However, Lee also discusses another type of equity – that which focuses on the outcomes of resource allocation procedures. Do they achieve what they are intended to do? This relates to the concept of 'need' and how need is defined. The basic differential in general formula funding is on the basis of age. Thus, it is typically assumed that, apart from children in nursery and infant provision, younger pupils need fewer resources than older ones. 'Need' in this sense is defined in terms of the amount needed to enable teachers to deliver the curriculum in primary and secondary schools. There is no consensus among LEAs nationally as to what this amount should be.

The same principles apply to funding additional and special educational needs. Thus the rationale behind the extra resources allotted to schools, through LMS formulae or by direct access to LEA support services, is in some way to enable schools to provide access to the curriculum for pupils with special or additional educational needs.

Although the principle of allocating extra resources to meet special and additional educational needs is widely accepted, the question of what types and levels of need require extra resources is still a matter of debate. Also

open to debate is the question of what the extra resources are intended to achieve. Are they to improve the educational outcomes for pupils with special and additional educational needs and, if so, to what level? Are they to improve the capacity of schools to meet the range of learning needs present in schools by increasing teacher capability and commitment? Are they to enable schools to make specific and individualised provision for identified pupils? Previous studies of formula funding of special educational needs (for example Marsh, 2000) indicate that all of these objectives underlie resource allocation for special and additional educational needs, but they are not always made explicit by LEAs and schools.

In addition to equity, Levačić and Ross (1999) distinguish two further policy functions of formula funding – a directive function and a market regulation function. The directive function allows the funding body to produce a formula that includes sanctions and incentives, which are intended to influence school policies and practices in the preferred direction of the LEA. Thus, LEAs might attempt to encourage schools to be more inclusive by providing funding in such a way as to support this policy goal.

The market regulation function refers to the ‘quasi-market’ (Bartlett *et al.*, 1994) features of education systems, which have introduced elements of parental choice and a ‘purchaser–provider’ split between the funding body (the LEA) and the school. Thus the relationship between schools and LEAs is one in which the LEA can ‘purchase’ school places for pupils with special educational needs by funding schools to make provision. However, schools in which funding is dependent upon parental choice (i.e. popularity within the local area) may resist providing education for certain pupils if this would reduce the school’s popularity.

Thus there are tensions between the functions of equity, policy direction and market regulation which lead to differences in the ways in which schools respond to the demands made upon them.

The research reported here was an attempt to explore and make more explicit the links between formula funding, school decision-making about use of resources and outcomes for pupils with special educational needs. It is recognised that the range of LEA approaches to allocating funding and other support to pupils with special educational needs, and the different contexts within which LEAs and schools operate, create a complex situation where there are multiple intersections of policies and practices. Thus the questions the research addresses are an attempt to explore the links between:

- ◆ national and local policies on funding and support for pupils with special educational needs;
- ◆ the national and local pressures on schools which lead them to make decisions about how to use the extra resources they receive; and
- ◆ the ways in which outcomes for pupils with special educational needs can be measured in order to assess whether the extra resources have been used effectively.

## 1.2 The research questions

The key questions for the NFER research were:

- ◆ what is the range of funding mechanisms used by LEAs to allocate resources to schools for special and additional educational needs?
- ◆ why do LEAs choose to use a particular method to allocate resources?
- ◆ are LEAs' methods for allocating funding and other resources intended to achieve specific policy goals in relation to SEN practice in schools?
- ◆ how do schools respond to the funding they receive?
- ◆ does schools' decision-making about allocation of resources reflect LEA policy or other factors internal to the school?
- ◆ what are the intended outcomes for pupils of the support they receive in schools?
- ◆ how do schools measure outcomes for pupils with special educational needs?
- ◆ is it possible to trace a link between LEA funding, school decision-making and pupil outcomes?

## 1.3 Formula funding and special needs

A number of previous studies have looked at funding mechanisms and their impact on resourcing pupils in schools. Marsh (2000) describes two pupils in two schools in different LEAs, both on Stage 3 of the Code of Practice and with similar reading ages. One child received 10 hours of in-class teacher support, plus five hours of individual help from a learning support assistant (LSA). The other received two and a half hours of LSA support in a group of four pupils. In his analysis of why there should be such a difference, Marsh contrasts the two LEAs' approaches to funding – one through an audit system and one through reading and cognitive ability tests. The per pupil amounts for SEN going into schools varied considerably between the two LEAs, particularly at the secondary level. However, Marsh does not include in his analysis the basic per pupil funding for each LEA. The lower funding LEA claimed that five per cent of the basic pupil funding was for SEN, but Marsh provides no analysis of the overall funding for pupils in the schools in question. Thus SEN funding is analysed in isolation from other funding and resources available in the schools.

Marsh concludes that there has not yet been a shift of focus from needs-based allocations based on deficit models, towards holding schools accountable for the outcomes for pupils of the use of all their available resources, including extra resources allocated through the variety of mechanisms employed.



### 1.3.1 Audits or indicators?

Marsh's study raises the fundamental question about whether an audit system or a system of 'proxy' indicators, such as test scores or eligibility for free school meals, is the most efficient and effective way of allocating additional funding to schools. This question is also examined by Sharp (2000). He demonstrates that, for 23 secondary schools in Edinburgh, there would be significant changes in funding allocations if free school meals eligibility rather than an audit of learning difficulty and emotional/behavioural difficulty were used. His argument is that the allocation of funding for SEN using the proxy of free school meals is flawed because it is an example of the 'ethnographic fallacy' whereby a link at the level of a group (i.e. a socially deprived school population and lower levels of attainment) can be used to allocate resources which are aimed at individuals. That is, not all pupils who are socially deprived will have special educational needs, and vice versa.

However, it is precisely the need to move away from individual identification and provision towards more 'whole-school' approaches that favours the use of proxy indicators and other measures, such as test scores. The model of SEN used by Sharp is an individualised 'within-child' model, especially his categorisation of emotional and behavioural difficulties as 'clinical' needs, which ignores any relationship between the context of schooling, social deprivation and emotional or behavioural difficulties. What he terms 'cognitive needs' are defined as those where there is no 'clinically identifiable special need' but where pupils' 'educational attainment is materially less than would normally be expected at their stage of schooling'. Sharp argues that extra resources can be justified for these pupils 'on the grounds that they have unfulfilled educational potential which could be released by an appropriate level of support'. Thus, in his analysis, pupils with 'clinical needs', including emotional and behavioural difficulties, should have these identified through an audit system and those with 'cognitive needs' through some form of standardised testing. He also adds that the best overall procedure would also incorporate some measure of socio-economic status.

One element missing from Sharp's analysis is that of any measure of the severity or complexity of the difficulties that pupils present. The measurement of emotional and behavioural difficulties, in particular, gives rise to huge problems. Behaviour which might be considered extremely problematic in one school, and call for extra resources, might not be seen to be so in another, depending on the tolerance of the school and the systems of support which are in place.

### 1.3.2 Varieties of indicators

The complexity of local needs and circumstances has led to a wide variety of funding arrangements for additional needs across LEAs. Marsh (1997) reported that LEAs in a survey undertaken in 1996 (EMIE, 1996) were using a range of indicators in different combinations to allocate funding. The majority (92 per cent) were using free school meals. One-third were

using educational tests. Other factors commonly used included pupil turnover and ethnicity/lack of fluency in English. In 1996, 22 per cent of LEAs were using an audit or placement on Code of Practice stages. The popularity of audit systems had increased since 1992 when Lee (1992) had carried out his study.

Marsh (1996) is critical of the widespread use of indicators of social deprivation (mainly eligibility or take-up of free school meals (FSM)) as a single proxy indicator for additional or special educational needs. He admits that there is a good correlation between social deprivation and special educational needs at the school level, but that it is less good at the individual pupil level. He suggests that Cognitive Ability Test (CAT) scores are a better indicator of SEN than free school meals, but that other test scores, such as reading scores, contain a perverse incentive, in that schools which enable their pupils to make good progress with reading will lose funding as a result.

### **1.3.3 Advantages and disadvantages of indicators and audits**

Fletcher-Campbell (1996) compared the characteristics and outcomes of audits and indicator systems. On balance, she found that audit systems appeared to have more favourable outcomes than indicator systems:

The benefits of the audit approach were generally perceived to be extensive: they were compatible with, and reinforced, the Code of Practice; they encouraged professional development; they facilitated the sharing of good practice; they informed LEA planning; and they aided a sharper targeting of resources. (p. 62)

The links between social disadvantage and poor educational achievement are well-established but there is as yet insufficient evidence to assume that these links can be extended to assume incidence of special educational needs.

Free school meals data may be useful at authority, or area, level but not so useful for differentiating between the needs of individual schools.

The use of screening tests is favoured as being an objective measure, and may be reliable if subsequent cohorts have similar needs, but it is an output measure and, unless used in combination with value-added data, it fails to recognise schools' achievement *vis à vis* pupil progress. (p. 38)

More recent experience with audits and better targeted indicators incorporating value-added components have led to different evaluations of their relative usefulness.

DfES guidance to LEAs on the distribution of resources to support inclusion provides an overview of the advantages and disadvantages of proxy indicators and audits:

	ADVANTAGES	DISADVANTAGES
<b>PROXY INDICATORS</b> e.g. Free school meals Reading test scores Key stage attainment No. of children on roll Mobility and turbulence	Eliminate perverse incentives	Small schools may receive very little
	Administratively easy	Additional arrangements may be needed for pupils who experience complex needs
	Provides whole-school funding	
	Can be used to assess value added	

	ADVANTAGES	DISADVANTAGES
<b>AUDITS</b>	Individual pupils used to identify the needs of the school	Burdensome on schools and over-bureaucratic
	Resource allocations are stable over time	Need strict application of criteria for eligibility
	Transparent – resource allocation can be tracked back to individual children	Perverse incentive to push pupils into higher need brackets
	Moderation supports development of practice and accountability	Risk of inappropriate labelling

It is easy to overstate the differences between audit approaches and proxy indicators, since both rely, to some extent, on the use of individual identification and measures of attainment. That is, audit schemes may use reading scores or other measures of attainment as identifiers of individual pupils for inclusion within an audit. Conversely, indicator systems collect data on individual pupils in order to make calculations about the levels of additional and special needs in schools. The crucial difference is that audits provide individualised resources for named pupils and rely on school identification for inclusion in the audit, whereas proxy indicators use aggregated scores at the school level, without the need for individual identification by schools. Audits can be said to be based on outputs (i.e. pupils' performance in the school at given points in time). Indicators are based on 'inputs' (i.e. some measure or proxy measure of the characteristics of the school population upon entry into the school or key stage within a school). It is also claimed that indicators are 'objective' measures, since they rely on the application of standardised tests or measures of social disadvantage, whereas audit systems are more 'subjective' as they rely on teachers' evaluations of the special educational needs of individual pupils.

### **1.3.4 The case of emotional and behavioural difficulties**

The case of emotional and behavioural difficulties and the need that these create for extra resources in schools are not adequately addressed by either system. Although there may be tests available to measure the mental health of pupils, these are not routinely used to allocate resources through a funding formula. Factors such as social deprivation and refugee status can be indicators of emotional stress, which may be manifested in schools by challenging behaviour or low educational achievement, but other factors, such as bereavement, family breakdown or abuse are less easy to incorporate into any formula. Thus resources to support the full range of pupils with emotional and behavioural difficulties have not, up to now, been routinely delegated to schools, but retained at LEA level.

### **1.3.5 The balance between centrally held and delegated funding**

As argued earlier, the amount of funding delegated to schools as *extra* support for meeting special educational needs cannot be divorced from the amount delegated as part of the general age-weighted pupils allocation (AWPA). Similarly, in considering the resources available to support pupils with additional and special educational needs in mainstream schools, the funding held centrally by LEAs, either to support pupils with statements or to provide support services – such as teams for sensory impairment or emotional and behavioural difficulties, or educational psychology services – must be included in the calculation. The Government is intending to press for increased delegation of funding to schools, with a target of 90 per cent of the Local Schools Budget (LSB) to be delegated by 2002/03. The Audit Commission (2000) has commented that this level of delegation may leave some LEAs unable to provide core services, which include services for pupils with special educational needs.

There are two issues here: one is that there is no guarantee that, once funds have been delegated to schools, they will be used for the purposes for which the LEA intended them. The rationale behind local management of schools is that school managers are free to make decisions about how best to use the resources allocated to them. Thus, if funding for support services for special educational needs is delegated with schools expected to 'buy back' or to set up 'service level agreements', some schools may decide that they do not wish to do so, and this will lead to the contraction or even the disappearance of some services.

The other issue is that smaller schools do not benefit from economies of scale, and the amounts delegated would not be sufficient for them to replace the level of support and expertise that would have been available from an LEA-funded support service.

Fletcher-Campbell and Cullen (1999) found that the majority of LEAs responding to an NFER survey operated a mixed approach to delegation of support services (i.e. some were delegated and others were not). Just under

half the LEAs operated service level agreements, and these generally worked satisfactorily. However, the case-study evidence from their research indicated that delegation had resulted in a reduction in size of support teams, an increase in referrals of pupils for more serious problems, greater difficulties for services in planning, and greater variation in the quality of support provided for pupils by schools.

When assessing the resources available to support pupils with special educational needs, in particular, to make comparisons between schools or between LEAs, the costing of support services which are paid for at the LEA level but used at the school level must be included in the calculation to enable valid comparisons to be made. A study by Crowther *et al.* (1998) is one attempt to do this with a particular group – pupils with moderate learning difficulties. Included in their calculations were the costs of:

- ◆ teachers
- ◆ SENCOs
- ◆ LSAs
- ◆ educational psychologists
- ◆ support services
- ◆ transport
- ◆ speech therapy.

Some of these resources were funded from schools' budgets, and some were provided directly by the LEAs. Crowther *et al.* argue that it is necessary to include all the costs of a pupil's provision in order to be able to make valid comparisons about the efficiency, equity and effectiveness of the deployment of resources to this group. They suggest that the calculations they had made indicated that the funding for this group of pupils was neither efficient nor equitable in that there was (a) a wide variation between the costs of provision for pupils with similar needs and (b) the costs of provision did not always increase with the severity and complexity of the pupils' special educational needs.

## **1.4 Relating resource inputs to pupil outcomes**

A key question for those allocating additional resources to particular groups of pupils or to individuals is: What difference are the extra resources making in terms of pupil progress? This has not been an issue that has been addressed in any systematic way by LEAs or schools, partly because of the inherent difficulties it poses. Vignoles *et al.* (2000) discuss some of these in a research review commissioned by the DfEE. First (and most significant from the perspective of assessing the impact of additional resources for additional and special educational needs), there is the problem of endogeneity. This relates to the practice of allocating extra resourcing to LEAs and schools that have more socially deprived and more educationally challenged populations. Thus, the lower average performance of these LEAs when compared to more affluent LEAs and schools (which receive lower funding)

gives the impression that LEAs and schools that receive above average funding produce less good outcomes than those that receive average or below average funding.

The second problem with assessing the relationship between resource inputs and educational outcomes is that there is no consensus about what outcomes should be measured. Crowther *et al.* (1998) discuss this issue with respect to pupils with moderate learning difficulties. They suggest that the National Curriculum provides a good framework for assessing academic outcomes, but that it might need some more sensitive outcome measures to capture the relatively low rate of progress of some pupils with moderate learning difficulties. Furthermore, for older pupils, measures related to generic vocational skills, as well as GCSE scores, should be included. But it is for *affective* and *life-chance* outcomes that it is more difficult to collect data and relate them to inputs. For example, they suggest that measures of self-esteem and social and behavioural outcomes related to friendships and wider social acceptance should be included. Other longer-term outcomes, such as take-up of further education and training, employment status and lawfulness could also be included.

This makes the measurement of outcomes a complex task. Vignoles *et al.* reflect that one of the major problems facing the analysis of the relationship between inputs and outcomes is that there is currently very little pupil-level data which links end-of-key-stage results with pupil-background information: measures of value added at the individual pupil level are not currently available. Neither are there any linking data about the level of resourcing available to individual pupils, background factors and outcomes. Some data may be available at individual schools but no common measures exist across schools or LEAs which might link these factors. The National Pupil Database will begin to address some of these problems but will not have individual data about resource inputs for pupils.

Thus, tracing a link between LEA patterns of funding for pupils with additional and special educational needs, resource allocation decisions in schools and outcomes for pupils is a complex and challenging task. It requires taking account of:

- ◆ the different patterns of social disadvantage in LEAs
- ◆ different definitions of additional and special educational needs
- ◆ the balance LEAs have chosen to strike between centrally funded and delegated resources for SEN
- ◆ the mechanisms LEAs have used in their formula to delegate funding for additional educational needs (AEN) and SEN
- ◆ the overall level of funding for primary and secondary schools in different LEAs
- ◆ LEAs' policy goals with respect to AEN and SEN
- ◆ schools' decisions about the allocation of resources for AEN and SEN



- ◆ schools' policies towards, and organisation of support for, pupils with special and additional needs
- ◆ school and individual pupil-level data on outcomes.

Furthermore, wider contextual issues, such as number and use of special schools within and outwith the authority and an authority's participation in other initiatives attracting resources – such as Sure Start or Education Action Zones – must be kept in mind.

The next chapter describes the ways in which the NFER research tried to take account of these interactions and complexities in the project design.

## 2. PROJECT DESIGN AND METHODOLOGY

### 2.1 Phase 1: Analysis of Section 52 budget statements

The NFER research took place in two phases. The first phase consisted of the analysis of the 1999–2000 Section 52 statements from 56 English LEAs. The second phase consisted of in-depth case studies of six LEAs, and four schools (two primary and two secondary) within each LEA.

LEAs are obliged, under Section 52 of the Education Act 1998, to prepare and circulate a budget statement which gives details of their planned education expenditure and the ways in which it is to be distributed. The Section 52 statements must be made available to schools and any other interested parties. These budget statements provide detailed information about the ways in which LEAs use the flexibility left to them, under the Education Act 1998, to define their own policies, priorities and approaches, within the overall framework imposed by central government, expressed in the principles outlined in the Fair Funding proposals, outlined in Chapter 3 of this report.

Data were obtained by analysing the Section 52 budget statements of 56 English LEAs. These were selected on a roughly pro rata basis, according to type of authority as follows:

**Table 2.1 Sample of LEAs**

Authority type	Number	Percentage of type
Inner London	6	46
Outer London	7	35
Metropolitan	14	37
New authorities	22	33
Counties	7	46

From this initial sample of 56 LEAs, six were chosen for further in-depth study: two shire counties, two metropolitan boroughs and two London boroughs.

#### 2.1.1 Part 1 of Section 52 budget statements

In Part 1 of their Section 52 budget statements, LEAs are asked to provide LEA-level information about their total planned education spending under five main headings:

1. Local Schools Budget (LSB);
2. non-school funding;
3. capital expenditure;
4. total education expenditure;
5. education standard spending assessment.

For the purposes of the research, data were collected and analysed from section 1 (LSB). In addition, the total educational expenditure (section 4) was compared to the education standard spending assessment (section 5).

Within the Local Schools Budget section of Part 1, there are ten main subheadings under which financial information is required to be set out. These are as follows:

- 1.1 Individual Schools Budget (ISB) (delegated to schools);
- 1.2 strategic management; }
- 1.3 specific grants; }
- 1.4 special education; } (retained by LEA)
- 1.5 school improvement; }
- 1.6 access; }
- 1.7 total LEA activities within LSB;
- 1.8 total expenditure within LSB;
- 1.9 school expenditure outside the LSB;
- 1.10 total expenditure on schools.

Data were collected and analysed mainly from subheading 1.4 (special education) – although aspects that might be relevant to special education were also extracted from 1.6 (access). Total expenditure on schools (1.10) was also recorded.

### **2.1.2 Part 2 of Section 52 budget statements**

In Part 2 of their Section 52 budget statements, LEAs are required to provide a summary of school budgets (i.e. ISB). For each primary, secondary and special school within the LEA, the following information is required:

- ◆ DfES reference number;
- ◆ pupil numbers;
- ◆ formula budget per school;
- ◆ budget share per school;
- ◆ budget share per pupil;
- ◆ notional SEN budget.

Totals/averages under these headings for each phase are also required, as are totals for all schools.

For the research, the main interest lay in the size of the total notional SEN budget allocated, as a percentage of the total formula budget. Note was also made of the *range* of the sums allocated to schools as their notional

SEN budget and whether or not every school was allocated money under this heading. (Part 2 was also used to collect background data, for example, on the number of schools and the size of the pupil population.) This information, along with other data, was used to inform the choice of paired LEAs for the next phase of the research (see below).

## 2.2 Phase 2: The case studies of LEAs

### 2.2.1 Selection of LEAs

Three pairs of LEAs were chosen for study in the second phase of the project. LEAs across the country differ markedly in their social circumstances, their size, geographical location and their formula funding arrangements. In order to hold some of these factors relatively constant, the NFER team chose pairs of LEAs for study which were *similar* in terms of their type (based on the 'statistical neighbours' typology used by OFSTED (OFSTED, 1997)) and *contrasting* in terms of their mechanisms for funding special educational needs (as set out in their Section 52 statements).

Two shire county LEAs, two metropolitan boroughs and two outer-London boroughs were chosen. Details of these are given in Chapter 5.

### 2.2.2 Interviews

In each LEA, a range of personnel concerned with the funding formula and with SEN policy and provision was interviewed. This normally included:

- ◆ LMS officer
- ◆ director or assistant director
- ◆ principal educational psychologist
- ◆ elected member
- ◆ representatives of primary and secondary headteachers
- ◆ adviser for SEN.

In some of the LEAs, other respondents were also offered, and these were also interviewed.

The interviews were semi-structured and covered the following topic areas:

- ◆ **definitions of AEN and SEN** used in (a) policy making and (b) funding as reported in the Section 52 statement
- ◆ **allocation of funds** – influences on (a) the amounts of funding allocated to AEN and SEN and (b) the ways in which funding is allocated (i.e. the formula) and the rationale for this
- ◆ **desired outcomes** – the outcomes the funding formula intended to achieve in relation to AEN and SEN; who influences the choice of outcomes; the impact of the funding mechanism in relation to achieving the desired outcomes

- ◆ *evaluation* – any monitoring to reveal the effect of the funding mechanism; how the LEA judge whether money has been used effectively by schools
- ◆ *future plans* – any plans for changes in SEN or AEN funding
- ◆ *views about a national funding formula.*

### 2.2.3 Documents

Relevant documents were collected from each LEA, including:

- ◆ Section 52 statement 2000/2001
- ◆ LEA's SEN policy statement
- ◆ SEN review documents
- ◆ Education Development Plan
- ◆ monitoring documents
- ◆ audit documents
- ◆ a range of other documentation specific to each LEA.

### 2.2.4 Data analysis

Interviews were analysed in terms of:

- ◆ *contextual issues* – demography, national policies, local council, LMS mechanism, school organisation, LEA or national policies on inclusion, support services for AEN/SEN, inter-agency issues, Government funding outside SSA and formula
- ◆ *research question issues* – definitions of AEN and SEN, relationship between AEN and SEN, influences on amounts of funding and ways of funding, desired outcomes of AEN and SEN funding, funding mechanism for AEN and its impact, funding mechanism for SEN and its impact, monitoring and evaluation, planned changes in AEN or SEN funding, comments about Section 52 statements, national funding formula.

## 2.3 Phase 2: The case studies of schools

### 2.3.1 Selection of schools

Each LEA was asked to provide the names of two primary and two secondary schools which were similar in size, pupil population and funding for special and additional educational needs. The range of schools across the six LEAs is presented in Table 2.2

**Table 2.2 Characteristics of the case study schools**

LEA type	School type	School size	Age range	% SEN
Shire County	Comprehensive	601	12-16	21
	Comprehensive	604	11-16	22
	Middle	319	8-12	16
	Middle	330	8-12	20
Shire County	Comprehensive	681	11-16	20
	Comprehensive	641	11-16	17
	First School	170	4-9	8
	First School	146	4-9	21
London Borough	Non-selective sec.	1188	11-18	22
	Non-selective sec.	1381	11-18	18
	Primary with nursery	445	3-11	27
	Primary with nursery	437	3-11	27
London Borough	Comprehensive	1202	11-18	40
	Comprehensive	1277	11-18	26
	Primary with nursery	520	3-11	40
	Primary with nursery	898	3-11	42
Metropolitan Borough	Non-selective sec.	1046	11-16	24
	Non-selective sec.	715	11-16	31
	Junior + SEN unit	254	7-11	33
	Junior + SEN unit	195	7-11	36
Metropolitan Borough	Comprehensive	1163	11-16	20
	Comprehensive	1382	11-16	24
	Primary	247	5-11	11
	Primary with nursery	247	3-11	22

In some cases, it was not possible to achieve a very close match, in terms of size and SEN population because of difficulties of access to some schools for various reasons (e.g. an impending OFSTED inspection or union action on non-essential activities), so substitute schools were chosen.

### 2.3.2 Interviews

At the school level, interviews were carried out with:

- ◆ headteacher
- ◆ SENCO
- ◆ class or subject teachers
- ◆ SEN governor
- ◆ pupils in receipt of support.



In some of the larger schools, other staff concerned with special educational needs were also interviewed.

A pro forma was given to each school to record basic information such as: school type and size; numbers of pupils on the SEN register; number eligible for free school meals; total school budget and budget for SEN and AEN; Standards Fund allocation; other funds coming into the school; outcomes (GCSE or SAT scores); exclusion and attendance rates.

The interviews with the headteacher, SENCO and SEN governor covered the following topics:

- ◆ ***Factual information about SEN and AEN funding in the school budget.*** How this is made up (i.e. what comes into the budget under different headings), how it is treated (i.e. as part of the whole school budget or as ring-fenced).
- ◆ ***Key priorities for the school.*** From the School Development Plan. Who sets priorities? Is SEN a current priority?
- ◆ ***Meeting SEN and AEN in the school.*** (a) Money – how the funding is used to support AEN and SEN in school. (b) Time – how much time does the SENCO and other staff (e.g. LSAs) have for supporting pupils. (c) LEA educational support services – how much time do these give to the school? How is this paid for?
- ◆ ***Intended outcomes.*** What the school hopes to achieve for pupils with AEN/SEN as a result of the approaches adopted.
- ◆ ***Monitoring and evaluation.*** What information the school gathers in order to monitor the effectiveness of the support offered for pupils with AEN/SEN.
- ◆ ***Actual outcomes.*** Evidence for the actual outcomes this year of the effects of support for pupils with AEN/SEN.
- ◆ ***Personal views.*** Personal evaluation of the effectiveness of AEN/SEN support in the school.
- ◆ ***The future.*** Any planned changes in the school's organisation or funding for AEN/SEN.

Pupils and class/subject teachers were asked about the support they received and whether they perceived it to be effective.

The interviews with headteachers were recorded and transcribed. Other interviews were written up from notes taken during the interview.

The following documentation was also collected:

- ◆ the school budget 2000–2001
- ◆ the School Development Plan
- ◆ the school SEN and Equal Opportunities policies
- ◆ governors' Annual Report to parents

- ◆ any written statement by the LEA about resource allocation to the school (i.e. EP time or support service time)
- ◆ minutes of committee meetings which discussed setting the school's budget for 2000–2001
- ◆ any other documents relating to SEN and/or budget setting priorities
- ◆ any value-added analyses by the school about the effectiveness of its interventions.

The school-level data were used for a comparative analysis of the pairs of schools to see what the different approaches to supporting special needs within similar schools were and whether these appeared to have an effect on outcomes for pupils. A thematic analysis was also undertaken to see whether the ways in which funding came into school through the LEA formula had any impact on the ways in which schools responded to needs and also whether the LEAs' policies about additional and special educational needs were reflected in the policies and practices in the schools.

## 2.4 Rationale for the design

Previous studies of SEN funding – for example, Lunt and Evans (1992), Fletcher-Campbell (1996), Marsh (1997), Crowther *et al.* (1998) – have suggested that the ways in which LEAs allocate funding for special and additional educational needs through different elements of their formula will have an influence on the ways in which special educational needs are provided for in schools and through support services. The Section 52 statements give details of the ways in which funding is allocated under different budget heads, and thus the ways in which special educational needs support is delivered to pupils. For example, an LEA wishing to promote a high level of inclusion of pupils with special educational needs may target a significant proportion of its special needs statement funding into mainstream schools and give schools a high level of flexibility about the ways in which the funding is used. Or an LEA that wished to reduce its statement level might target significant funds into schools for pupils with special needs without statements (at stage 3 of the Code of Practice). The NFER approach was designed to enable the team to form a picture of the variety of ways in which LEAs were funding special educational needs, to generate some hypotheses about the policies which were being pursued by LEAs and to speculate about the impact that different funding mechanisms might have on the ways in which special needs were met. The collection of data at the LEA and school levels enabled the exploration of the links between the LEAs' policies and approaches to funding and schools' responses. The choice of matched pairs of LEAs and schools was intended to hold constant some of the factors which might lead to a variety of response across LEAs and schools (e.g. urban/rural, size, funding levels, characteristics of the LEA/school population) and to focus on other factors which might be influencing LEA policy and school response (e.g. ideology, historical patterns of funding, school effectiveness).

Two caveats must be offered at this stage. One is that the research in LEAs demonstrated that Section 52 statements do not provide a reliable guide to the ways in which LEAs fund special and additional educational needs. Similar formula elements are allocated to a diverse range of headings by those filling in the Section 52 statement, so that LEAs which appear to have very different mechanisms may, in reality, allocate funding in very similar ways, and vice versa. The second relates to the published statistics on percentages of pupils in special schools and with statements (DfEE, 1999). It should be noted that the percentage of pupils with statements includes those attending independent schools and so differs from the statistics held by LEAs concerning their own schools. Similarly, the percentage of pupils in special schools includes pupils from other LEAs attending special schools in an LEA and excludes pupils from that LEA attending special schools elsewhere.

## 3. THE CURRENT CONTEXT

### 3.1 Fair Funding

The consultation paper *Fair Funding: Improving Delegation to Schools* (DfEE, 1998a) proposed a new system involving a significant increase in the level of financial delegation to schools to take effect from April 1999. This document also proposed overhauling the legal basis under which funding arrangements operated. This included three important aspects of the financial relationship between LEAs and schools. These were:

- ◆ the balance, within the LEA's overall budget, between the amount of funding held centrally by the LEA and the amount distributed to the schools themselves (known until then as the Aggregated Schools Budget or ASB);
- ◆ the funding formula used by the LEA to distribute the ASB;
- ◆ conditions and requirements to be observed by schools in managing their budgets.

The consultation document proposed that the arrangements then in place for LMS should be replaced by a new system whereby all schools, whether community, voluntary or foundation, should be funded in the same way.

The proposed changes were based on seven principles of the new framework:

**Standards** – it should help both schools and LEAs to pursue the priority of raising educational standards.

**Self-management** – it should allow schools to develop their capacity for self-management.

**Accountability** – it should align funding with responsibilities, so that both schools and LEAs could be held to account for their performance in spending public money.

**Transparency** – it should make decisions on school financing clear and comprehensible.

**Opportunity** – it should be an opportunity for all schools but a threat to none. In particular, small schools should not be forced to shoulder responsibilities with which they could not cope.

**Equity** – it should ensure the fair and equal treatment of all three categories of school – community, voluntary and foundation. Moreover, the new framework should not allow spending decisions taken by some schools in an area to restrict opportunities for other schools.

**Value for money** – it should help both schools and LEAs achieve value for money, and allow other interested parties to assess how well this was being done.

The document proposed that LEAs' total revenue expenditure on education could be divided into three categories:

**A. Non-school expenditure**

- ◆ *education (except in primary and special schools) for children under five*
- ◆ *adult/community education and 'lifelong learning' programmes*
- ◆ *student awards*
- ◆ *youth service*
- ◆ *revenue funding of capital expenditure related to these services*

**B. Ongoing school-related commitments**

- ◆ *servicing and repayment of school-related capital debts*
- ◆ *early retirement and redundancy costs that flowed from decisions taken before 1 April 1999*
- ◆ *expenditure on recruitment and retention schemes and arrangements for personal salary protection instituted by the LEA before 1 April 1999*

**C. All other expenditure – to be termed the 'Local Schools Budget' (LSB) and split between the LEA and schools.**

Within the LSB, the amount available for delegation to schools after provision would be known as the 'Individual Schools Budget' (ISB). LEAs would be able to retain funding centrally to support their roles in four key areas:

- a) strategic management
- b) access (planning of school places, admissions, transport, etc.)
- c) LEA support for school improvement
- d) special educational expenditure.

This last category includes:

- ◆ *educational psychology services*
- ◆ *statementing of pupils*
- ◆ *support for pupils with special educational needs (especially those with statements)*
- ◆ *education otherwise than at school*
- ◆ *preparation of behaviour support plans*
- ◆ *pupil referral units.*

The document states that these services relate to pupils with difficulties who require additional support or whose needs, for some other reason, cannot be met through mainstream schools' normal provision. It suggests that the best way of organising and funding them may depend on local circumstances

and that the approach adopted should be based on consultation and consensus among schools. It also states that duties concerning statements cannot be delegated to governing bodies but indicates that this does not rule out the delegation of some funding. The document also suggests that LEAs will need to manage some expenditure centrally in order to deliver some of the behaviour support arrangements set out in their behaviour support plans.

The Green Paper *Excellence for All Children* (DfEE, 1997) proposed that funding for statutory assessments, administration and review of statements could be retained centrally, as should funding for provision specified in statements. However, the Green Paper encouraged the delegation generally of funds for SEN provision at Stages 1–3 of the Code of Practice.

It was suggested that delegation to mainstream schools should include:

- ◆ all funding to provide for pupils at Stages 1 and 2 of the Code of Practice;
- ◆ 'general' funding for pupils at Stage 3 of the Code of Practice;
- ◆ 'general' funding for pupils in 'specially resourced places'.

**Funds which might be retained by LEAs, in addition to those listed above include:**

- ◆ *monitoring of schools' arrangements for SEN provision. This would allow for LEAs to audit incidence of SEN where this is used as an allocation formula factor*
- ◆ *administration relating to statutory SEN assessments and the LEA's role in reviewing statements*
- ◆ *funding to promote inter-school cooperation in relation to SEN, or inclusion of pupils with SEN*
- ◆ *large and unpredictable pupil-specific costs, including excess provision in statements beyond what is generally delegated, similar excess costs for pupils at Stages 3 and 4 of the Code of Practice and larger than expected numbers at Stages 3–5.*

The last of these reflects the reasons given in a number of LEAs for retaining funds centrally in order to allow for flexibility in responding to need. The documentation also indicates that LEAs would be free to delegate this funding, or allocate it to schools as an earmarked addition to their delegated budgets. It is suggested that, while special schools should generally be funded to meet the needs of all their pupils through their delegated budgets, in other cases, funding will be partly made through formula factors with some funding distributed on the basis of indicators. It is also stated that most LEAs expect schools to meet the costs of at least some basic provision from the funding allocated to them by age-weighted pupil numbers. The Fair Funding document makes it clear that *'each school should be clear what levels and kinds of special need it is expected to meet from its delegated budget and how much of its budget is notionally attributable to SEN'*. It also states that LEAs should provide details of the way in which its notional SEN budget has been calculated.



### 3.2 After the School Standards and Framework Act 1998

Under new regulations following the School Standards and Framework Act 1998 (GB. Statutes, 1998), changes to the items that make up the formula, through which LEAs fund their schools, have taken into account the proposals for delegation of expenditure other than the four blocks listed under category C above.

The formula for schools should ensure that at least 80 per cent of the Individual Schools Budget should be calculated on the basis of pupil numbers, weighted for age and a number of other factors. These other factors include:

- ◆ children with special educational needs who do not have statements (may be up to five per cent of the ISB);
- ◆ places in primary and secondary schools reserved for children with special educational needs;
- ◆ funding for pupils with statements (if this forms part of the school's delegated budget);
- ◆ some other non-SEN factors related to nursery classes in primary schools and to sixth forms in secondary schools.

In addition, there are 30 additional factors that may be included in the formula, as part of the 20 per cent non-pupil-related factors. These are not to be delegated on the basis of the actual or estimated cost. Special educational needs and social deprivation are factors which can be added.

The balance between the proportion of the Local Schools Budget to be retained by the LEA and that to be delegated to schools through formula funding is not made explicit, but there appears to be an understanding that LEAs should aim to delegate at least 80 per cent of the LSB.

### 3.3 Local authority funding – the Standard Spending Assessment (SSA)

There is a consensus that the current system of allocation of funds from central to local government for the purposes of funding education is unsatisfactory. Currently, the SSA is calculated on the basis of several indicators of social deprivation (additional educational needs or AEN) (West *et al.*, 2000). These are:

- ◆ proportion of children under 18 in lone-parent households
- ◆ proportion of dependent children of claimants receiving income support
- ◆ in households, the proportion of children under 16 born outside the UK, Ireland USA or Old Commonwealth or whose head of household was born outside these areas.

Other factors included in the SSA calculation relate to population density and to labour costs in London and the south east of England.

The SSA is also calculated with regard to the relation between AEN and previous expenditure, adding a historical element to the calculation. Thus, historically, London boroughs, with their high levels of social deprivation and high labour costs, have received larger amounts than many other socially deprived boroughs or other authorities in the south east with high labour costs. However, some boroughs, notably those with areas of high deprivation outside London, have argued that the SSA they receive is not sufficient to meet needs and that adjustments need to be made. These anomalies have been recognised, and SSAs have been frozen whilst consultation takes place about a new system of funding.

The Green Paper, *Modernising Local Government Finance* (DETR, 2000), indicates that local authorities should continue to play a major role in the planning and delivery of education, and states that it would not be appropriate for the Government to determine individual schools' budgets from the centre. As detailed below, the Green Paper suggests that there should be greater clarity about the roles of Government, LEAs and schools.

### **3.3.1 Direct funding for schools and LEAs**

There has been increasing use of ring-fenced funding for specific purposes, such as the National Literacy and Numeracy Strategies. It is stated that this has been intended to increase education spending as a proportion of national income and ensure that schools receive the funding they need to raise standards. What is now proposed is that resources for schools and those required by LEAs should be assessed separately. Special needs coordination is among the direct responsibilities for which authorities would receive funding.

### **3.3.2 Ensuring funds for education are used for that purpose**

There is some discussion in the Green Paper of further ring-fencing for this purpose with a legal requirement on LEAs to allocate resources. However, the favoured alternative is based on greater transparency rather than legal duties, with LEAs required to give a full account of money delivered, its source and a comparison with previous years. This would enable schools to have a clearer picture of the structure of their budget, the SEN and AEN allocations within it, and the pupils it was intended to support.

### **3.3.3 Ensuring fairness in the distribution of funding**

There are two issues here – one is concerned with the fair distribution of central funds to LEAs to create a level playing field in terms of their ability to fund education. The suggestion is that there is a move away from historical allocations, towards a more transparent system based on pupils' characteristics, costs and achievement. The second issue is the allocation

of funds between schools, which the Green Paper recommends should be decided at the local level to take account of local knowledge of the variations in need between schools.

### **3.4 Central and local priorities**

A key differentiator used by both central and local government for funding schools is some measure of social deprivation. This appears to be a reflection of the idea that more resources are required to boost the educational achievements of children living in socially and economically deprived circumstances. Thus, in this sense, there is already a centrally derived national funding system which takes account of differences in pupils' capacity to learn. However, the decisions made at a local level about the levels of funding are still to be the main factor in the differential allocation of resources between schools, and these will reflect not only local circumstances but local priorities. There are a number of restraints on local authorities, including the requirement to demonstrate 'Best Value' in their spending but, nevertheless, it is likely that there will remain major differences between schools of similar sizes and pupil populations in different LEAs, which will reflect the educational priorities of those LEAs. These differences are illustrated by the case studies of 12 primary and 12 secondary schools across six LEAs, described in Chapters 5 and 6 of this report.

The following chapter presents a broader picture of AEN and SEN funding, derived from an analysis of the Section 52 statements of 56 English LEAs.

## 4. FUNDING ADDITIONAL AND SPECIAL EDUCATIONAL NEEDS – THE NATIONAL PICTURE

### 4.1 The sample of LEAs

As described in Chapter 2, data on LEAs' funding allocations for SEN were obtained by analysing the Section 52 budget statements of 56 English LEAs. These were selected on a roughly pro rata basis (see Table 2.1 above).

### 4.2 Budget allocations for SEN

There was a large variation across the 56 LEAs in the proportion of the local schools budget (LSB) retained centrally by the LEA which was allocated to special education. The range was from 3.08 per cent (in a metropolitan authority) to 10.42 per cent (in a new authority). Since the percentage of the LSB retained by LEAs is expected to be no more than 20 per cent, a variation of this size is interesting.

To gain a sense of the spread of the sample LEAs within this range, the range was divided into bands of two percentage points. Table 4.1 shows the number of sample LEAs falling within each band.

**Table 4.1 The percentage of Local Schools Budget allocated to special education: the number of sample LEAs within each band**

Band (% of LSB)	Type of LEA					Sample LEAs
	Inner London (n=6)	Outer London (n=7)	Metro- politan (n=14)	New (n=22)	Counties (n=6*)	Total (N=55*)
3-5	0	1	8	9	1	19
5.01-7	3	1	5	5	5	19
7.01-9	3	4	1	6	0	14
9.01-11	0	1	0	2	0	3

*\* Information used in this table was missing for one county LEA in the sample (N=56)*

As Table 4.1 above shows, most (38 of 55) of the sample LEAs for which information was available fell within the three per cent to seven per cent range. Since LEAs retain only about one-fifth of the LSB, this represents a sizeable proportion being spent under the special education heading. Indeed, of the three sample LEAs falling within the highest banding in Table 4.1, one allocated more than 10 per cent of its LSB to special education.

**Table 4.2** The percentage of Local Schools Budget allocated to special education: the range within the sample of each LEA type

	Type of LEA					Sample LEAs
% of LSB	Inner London (n=6)	Outer London (n=7)	Metropolitan (n=14)	New (n=22)	Counties (n=6*)	Total (N=55*)
Range	5.70–8.60	4.21–9.82	3.08–8.30	4.00–10.42	4.40–6.70	3.08–10.42
Mean	7.21	7.41	5.15	6.19	5.93	6.39

\* Information used in this table was missing for one county LEA in the sample (N=56)

Table 4.2 provides more detail of the spread of the percentage LSB allocated to special education within the sample for each type of LEA. It shows that, on average, the metropolitan authorities were allocating the smallest proportion of their LSB to special education and that the London LEAs were allocating the largest.

Not only did the overall allocation to special education vary between LEAs, there was also significant variation within special education allocations with regard to where the funding was spent. LEAs made different decisions about the proportion of special education spending to allocate to each of its eight subheadings. Table 4.3 shows the number of LEAs that chose to spend the biggest and smallest proportion of their special education budget on each subheading.

As Table 4.3 below shows, just under half of the sample LEAs (26 of 56) allocated the largest proportion of their retained special education funding to provision for pupils with statements. Furthermore, just over one-third of the sample LEAs (20 of 56) made their largest allocation of spending to fees for pupils at independent special schools and abroad. This underlines the relatively high cost, in many LEAs, of supporting placements of pupils with statements of special educational need outside the LEAs' own schools.

There were, interestingly, nine LEAs that spent the greatest proportion of their centrally retained SEN budget on specialist support for pupils with and without statements (i.e. teaching support). This was the smallest area of expenditure in 16 LEAs, which indicates wide variation among LEAs in the ways in which pupils with SEN are supported.

There were some interesting differences in spending patterns between different types of LEA. The metropolitan LEAs were more likely than other types to spend the largest proportion of their SEN retained budget on specialist support for pupils with and without statements, indicating that these LEAs had retained sizeable specialist teaching support services.

**Table 4.3** Number of sample LEAs allocating largest/smallest proportion of 1.4 (special education) spending to its subheadings

Subheadings within 1.4 (special education)	Number of sample LEAs (N=56)	
	Largest proportion allocated	Smallest proportion allocated
1.4.1 educational psychology/ assessments & statementing	0	0
1.4.2 provision for pupils with statements	26	1
1.4.3.1 specialist support, pupils with statements	5	7
1.4.3.2 specialist support, pupils without statements	4	9
1.4.4 promoting good practice/ collaboration/integration	0	16
1.4.5 referral units/ behaviour support plans	1	7
1.4.6 education otherwise	0	6
1.4.7 LEA functions in relation to the Children Act 1989	0	38
1.4.8 fees for pupils at independent special schools and abroad	20	3

Promoting good practice, collaboration and integration was not a major spending priority for the LEAs in the sample. Sixteen of the 56 LEAs allocated the smallest proportion of their retained SEN budget to this area of spending. And the majority of the sample LEAs (38 of 56) spent either nothing, or the smallest proportion of their special education allocation, on LEA functions in relation to the Children Act 1989.

The information about the ranges and patterns of spending allocation within Section 1.4 (special education) provided some of the pieces of the 'jigsaw' depicting the funding patterns for special education used by the sample LEAs. It indicates some of the priority areas for spending among the LEAs and those areas on which very little or nothing was spent. From this analysis, it appears that for most LEAs, the priority areas for allocation of the retained SEN budget (i.e. that part of the budget not delegated to schools) were support for pupils with statements and fees in independent special schools and abroad. New initiatives, such as collaboration with other agencies and promotion of inclusion, did not have large proportions of this budget allocated to them.

### 4.3 Notional SEN budgets

In recognition of the fact that there will be a proportion of pupils within every school with special educational needs, there is a column in the budget statements for LEAs to identify a notional amount within their budgets for SEN as a base budget for each school. In both the primary and secondary sectors, a small number of the sample LEAs did not identify any percentage of the total formula budget as a notional SEN budget (four for primary schools and five for secondary schools). In one of these cases, the budget statement indicated that this would be rectified by April 2000. In another case, the reason was that a notional SEN budget was identified only for the small number of units attached to mainstream schools in both sectors. In the remaining cases, no reasons were explicitly stated.

The percentage size of the notional SEN budgets identified ranged widely:

- ◆ from 0% to 12.46% (for primary schools);
- ◆ from 0% to 12.43% (for secondary schools).

As Table 4.4 shows, metropolitan LEAs in the sample were more likely than other types of LEA to identify only up to two-and-a-half per cent of their formula budget as notionally being for meeting special educational needs. Over half (30 of 54) of the sample LEAs identified up to five per cent of the formula budget for primary schools as notionally being for meeting special educational needs. Interestingly, four of the sample LEAs (three metropolitan LEAs and one new authority) identified over ten per cent of their primary schools' formula budget for this purpose.

**Table 4.4** Size of notional SEN budget as a percentage of formula budget: *primary schools*

% of formula budget	Type of LEA					Sample LEAs
	Inner London (n=6)	Outer London (n=5*)	Metro-politan (n=14)	New (n=22)	Counties (n=7)	Total (N=54*)
0-2.50	2	0	7	2	1	12
2.51-5	0	4	3	8	3	18
5.01-7.50	2	0	2	5	1	10
7.51-10	2	1	1	4	2	10
10.01-12.50	0	0	1	3	0	4

\*Information used in this table was missing for two outer London authorities in the sample (N=56)

At secondary school level, too, metropolitan LEAs in the sample followed this pattern, as Table 4.5 illustrates. Table 4.5 shows that, overall, the sample LEAs identified slightly lower proportions of the total formula budget for secondary schools, as notionally being for meeting special educational needs, than they did of the budget for primary schools. Table 4.5 also shows that

a clear majority (50 of 55) of the sample LEAs identified a notional SEN budget for secondary schools that was up to seven-and-a-half per cent of the total formula budget. At least half of the sample LEAs within each LEA type identified a notional SEN budget running at five per cent or less of the formula budget. Of the five LEAs in the sample that identified more than seven-and-a-half per cent as the notional SEN budget, only one did so at a level above ten per cent of the formula budget.

**Table 4.5** Size of notional SEN budget as a percentage of formula budget: *secondary schools*

% of formula budget	Type of LEA					Sample LEAs
	Inner London (n=6)	Outer London (n=7)	Metropolitan (n=13*)	New (n=22)	Counties (n=7)	Total (N=55*)
0-2.50	2	2	7	3	3	17
2.51-5.00	1	2	3	10	2	18
5.01-7.50	3	2	1	7	2	15
7.51-10.00	0	1	2	1	0	4
10.01-12.50	0	0	0	1	0	1

\* Information used in this table was missing for one metropolitan LEA in the sample (N=56)

From the data available in Section 52 budget statements, it seemed as if the sample LEAs mainly thought about a notional SEN budget for *special* schools in one of two ways:

- ◆ *either* they did not identify any money under the notional SEN budget heading;
- ◆ *or* they identified 100 per cent of the special schools' budget as the notional SEN budget.

There were a small number of exceptions to this general pattern, but no information explaining these could be gleaned from the relevant Section 52 budget statements.

## 4.4 Pupil-led funding

Part 3a of the Section 52 statements includes, under the heading *Pupil-led funding*, information concerning funding for pupils *without* statements of special educational needs and for pupils *with* statements, together with a narrative, in each case, defining the factors involved. The extent to which this information was provided by LEAs varied considerably. In some cases, there was little detail and this made analysis and comparison between different methods problematic. Further, different LEAs chose to locate information about funding in different tables within their budget statements. This, again, at first sight, made comparisons between different LEAs



difficult. For example, one metropolitan LEA made no entry in Part 3a which related to pupils with, or without, statements. On examination of Part 1, however, it became clear that this LEA was one of the highest spending with respect to its pupils with special educational needs. The specific location of the data within the parts of the budget statement may be seen to be indicative of the perception, intention and, in some cases, the policy of individual LEAs with reference to special educational needs.

#### **4.4.1 Pupils *without* statements of special educational needs**

The data provided by LEAs, and the complexity of the methods employed for allocating funds for pupils without statements, varied enormously. The range included:

- ◆ no funding allocated under this category;
- ◆ one new authority, in which a simple five per cent of the AWPU figure was used;
- ◆ one outer London authority which took into account four different factors. (These included pupil entitlement to free school meals, pupil mobility, the number of looked-after children and an audit of SEN.)

Overall, elements used by the sample LEAs in calculating 'pupil-led' funds for pupils without statements, as indicated in Part 3a of the budget statements, included:

- ◆ pupil entitlement to free school meals;
- ◆ pupil mobility;
- ◆ SEN audit;
- ◆ specific groups of pupils, e.g. looked-after children;
- ◆ pupil entitlement to clothing grants;
- ◆ percentage of the age-weighted pupil unit (AWPU) figure;
- ◆ per capita sums for specific pupil groups in specific locations, e.g. special units.

Seven LEAs indicated that no funding was allocated under this heading. These were across all types of LEA. As Table 4.6 shows, three LEAs included in this section a fixed per capita sum for specific groups of pupils in specific locations. These included nursery units and assessment units. In two LEAs, both of them new, funding for these units was the sole entry in the section of Part 3a relating to pupils without statements. One of these recorded in the narrative section that, in addition, there was a notional sum within the age-weighted pupil unit (AWPU) figure.

**Table 4.6** Frequency of elements used by LEA types in calculating ‘pupil-led’ funds for pupils without statements

Elements	Type and number of LEAs					
	Inner London (n=6)	Outer London (n=7)	Metropolitan (n=14)	New (n=22)	Counties (n=7)	Total (N=56)
Free school meals	4	4	9	9	4	30
Pupil mobility	1	2	0	0	0	3
SEN audit	3	5	5	8	5	26
Specific groups of pupils	0	1	0	0	0	1
Clothing grants	0	0	1	1	0	2
Percentage of AWP figure	0	0	0	1	0	1
Per capita sum	0	0	1	2	0	3

Overall, pupil entitlement to free school meals and SEN audit were the indicators most frequently employed by LEAs in calculating ‘pupil-led’ funds for pupils without statements of special educational needs. They were used across all types of LEA. In summary, of the sample LEAs (N=56):

- ◆ 25 LEAs used *a single approach* for the calculation of funds to schools. Of these:
  - 14 used pupil entitlement to free school meals alone;
  - 10 used SEN audit alone;
  - one new LEA included a per capita sum for pupils in a special needs nursery unit as the sole allocation made in the ‘pupil-led’ funds for pupils without statements of special educational needs section of their Section 52 budget statement.
- ◆ 16 LEAs used *two factors*. Of these:
  - 12 made allocations based on a combination of free school meals entitlement and SEN audit. This occurred across all types of LEA, although it was least prevalent in new LEAs – where only two (n=22) used this combination (most used a single factor);
  - two (one metropolitan and one new authority) used a combination of entitlement to free school meals and clothing grants;
  - one authority (inner London) used SEN audit and pupil mobility;

- one authority (metropolitan) used SEN audit and also funded children on assessment in units on a per capita basis;
- one LEA (inner London) indicated a combination of three factors: free school meals entitlement, pupil mobility and SEN audit.

It is, thus, apparent that the complexity of methods, and numbers of factors used, for allocating 'pupil-led' funds for pupils without statements of special educational needs varied greatly across LEAs.

#### 4.4.2 The use of SEN audits to allocate 'pupil-led' funding

Twenty-six of the sample LEAs (N=56) employed SEN audit methods to allocate 'pupil-led' funding for pupils without statements. These ranged from simple, single-element audits to very complex, multi-element ones (the definition is less tight than that referred to in Chapter 1 of this report). Data gathered for the purpose of SEN audits and recorded in the Section 52 budget statements included:

- ◆ stages on the Code of Practice;
- ◆ assessments, based on:
  - reading
  - maths
  - language
  - English as an additional language
  - cognitive ability
  - baseline testing;
- ◆ levels on National Curriculum tests;
- ◆ other forms of assessment: teacher assessment (in a metropolitan authority) and assessment related to curriculum, behaviour, medical and physical needs (in a shire county). No details were given of these.

(Three LEAs indicated that pupils *with*, as well as *without*, statements were included in the audit.)

Of the 26 LEAs employing SEN audits, 14, across all types, used a *single-element* SEN audit, and in eight of these this was weighted according to age or stage on the SEN Code of Practice. However, there was considerable variation in the data gathering on which the audits were based. For example:

- ◆ six authorities made use of National Curriculum test results;
- ◆ one new authority and one metropolitan authority used only stages on the Code of Practice;
- ◆ one outer London authority, one metropolitan authority and one new authority used solely tests of cognitive ability;

- ◆ one inner London authority and one metropolitan authority used only assessments of English as an additional language;
- ◆ one shire county used assessment of reading only;
- ◆ one metropolitan authority used teacher assessment only;
- ◆ five authorities gave no details of the instrument used, although one indicated the use of standardised tests.

The remaining 12 sample LEAs using audits varied in the number of elements employed:

- ◆ seven LEAs, but no inner London or new authorities, included *two elements* in their SEN audits;
- ◆ four LEAs included *three elements*;
- ◆ one shire county used *four elements*, indicating that a single system formula existed for pupils both with and without statements. (This did not include either performance on National Tests or stages on the Code of Practice.)

Within the LEAs using audits, the percentage of the Local Schools Budget (LSB) allocated to 'pupil-led' funds for pupils without statements in LEAs on that basis varied. With the exception of two inner London authorities, all the sample authorities which employed SEN audit allocated a greater percentage of their primary school, than of their secondary school, budget to 'pupil-led' funds for pupils without statements.

There was a wide spread of allocation of funding, as a percentage of budget, in the area of 'pupil-led' funds for primary pupils without statements. One metropolitan authority indicated a level of funding to this area as low as just over a quarter of one per cent, while one new authority allocated more than seven per cent.

#### **4.4.3 Pupil-led funding for pupils *with* statements**

More than half the sample (29 of 56) stated in Part 3a of their Section 52 budget statement that funding for pupils with statements of special educational needs was *not* included in their formula, nor delegated to schools. This was indicated across all types of authority. Shire counties more frequently delegated funding for pupils with statements of special educational needs than did other LEAs.

#### **4.4.4 Methods of delegating pupil-led funding for pupils *with* statements**

Where LEAs indicated that they did delegate in this area, they did so on the following bases:

- ◆ funding on a per capita basis;
- ◆ individual support tuition;

- ◆ a little support in mainstream schools;
- ◆ weighting related to school context, which included, in some cases, non-statement pupils;
- ◆ bands;
- ◆ categories of difficulty;
- ◆ special units.

In six LEAs, combinations of criteria were used. These included:

- ◆ bands and statement resources allocated on the basis of individual statements;
- ◆ bands and age weighting;
- ◆ bands and the number of pupils;
- ◆ number of statements and teaching costs;
- ◆ number of statements and funding for 'enhanced resource bases'.

## 4.5 Statement rates in the sample LEAs

The percentage rate of statementing in the sample LEAs varied. The range was from 1% (in one new LEA) to 4.3% (in a metropolitan authority).

The former authority was one indicating that it did not delegate funding for pupils with statements of special educational needs, while the latter LEA indicated that it delegated this funding on the basis of bands and age weighting. However, this apparent pattern did not continue across the sample LEAs, and the range of statementing in LEAs which did not delegate funding for statements was from 1% to 3.4% (see Table 4.7).

The percentage of pupils attending special schools in the sample LEAs was also examined, as this would give some indication about LEA policy on inclusion. The percentage of pupils attending special schools varied in both the sample LEAs indicating delegation and those indicating non-delegation of funding for statements. The variations were similar in each case:

- ◆ from 0.6% to 2% in non-delegating LEAs;
- ◆ from 0.4% to 1.9% in delegating LEAs.

However, there were some noticeably contrasting figures relating to a small number of LEAs delegating funds for statements. For example, in three of such LEAs, statement and special school percentages were as follows:

- ◆ LEA A: 3.1% pupils with statements/0.4% pupils in LEA special schools;
- ◆ LEA B: 3.8% pupils with statements/0.4% pupils in LEA special schools;

- ♦ LEA C: 3.5% pupils with statements/0.8% pupils in LEA special schools.

Thus, high statement rates in conjunction with delegation of funding for statements seemed to indicate, in these LEAs, a significant level of inclusion of pupils with SEN in mainstream schools, together with the delegation to schools of the resources to support those pupils.

**Table 4.7 The percentage of pupils with statements in the sample LEAs**

% of statements	Type of LEA					Sample LEAs
	Inner London (n=6)	Outer London (n=7)	Metro-politan (n=14)	New (n=22)	Counties (n=7)	Total (N=56)
0–1.0	0	0	0	1	0	1
1.1–1.5	0	0	0	1	0	1
1.6–2.0	0	1	1	0	0	2
2.1–2.5	1	2	3	2	0	8
2.6–3.0	2	4	7	5	3	21
3.1–3.5	2	0	1	9	3	15
3.6–4.0	1	0	1	1	1	4
4.1–4.6	0	0	1	3	0	4

## 4.6 Policies and practices in LEAs

The picture presented from this analysis of LEA funding mechanisms and allocations as recorded in Section 52 statements is one of complexity and variation. LEAs vary in the proportions of funding they allocate to special and additional educational needs, the amounts of funding they retain centrally to support SEN services, the proportions of pupils they support individually through statements and the proportions of pupils they educate in special and mainstream schools. They also vary in the ways in which they identify pupils for whom they allocate extra funding and whether the breakdown of the funding allocations is made known to their schools through the allocation of a notional SEN budget for each school.

Key questions for the research were the extent to which these differences represented different policy objectives for the LEAs and whether these policy objectives were understood and implemented at school level. The next two chapters present data on these two questions. Chapter 5 presents data from three pairs of LEAs, each of which are 'statistical neighbours', but which have different approaches to funding special and additional educational needs.

## 5. FUNDING SEN IN SIX LEAS – METHODS, AIMS AND RATIONALES

### 5.1 Characteristics of the six LEAs

The case studies were chosen as pairs of LEAs which were 'very close' statistical neighbours (OFSTED, 1997) but which had contrasting approaches to formula funding for SEN and AEN. Two LEAs were outer London boroughs (London 1 and London 2), two were metropolitan authorities (Metro 1 and Metro 2) and two shire counties (County 1 and County 2). The original choice of County 2 was not able to participate, so another close statistical neighbour was chosen. The rationale for the pairing of LEAs was to see if similar LEAs, with contrasting approaches to funding SEN and AEN, had different effects on the way in which SEN policy and provision were implemented at the school level.

### 5.2 Funding mechanisms – the six case studies

The six LEAs chosen for detailed study presented a range of approaches to funding special and additional educational needs. These are summarised in Tables 5.1 and 5.2.

#### 5.2.1 Centrally retained funding

From 2002/3, LEAs will be required to delegate at least 85 per cent of their Local Schools Budget (LSB). None of the LEAs in the NFER study had yet reached this figure, although all were delegating above the 80 per cent currently required.

**Table 5.1 Percentage of LSB delegated to schools in six LEAs**

	County 1	County 2	Metro 1	Metro 2	London 1	London 2
% delegated	82.8	84.5	80.18	80.86	82.94	80.66

The further delegation of funding is likely to have an impact on the ways in which special educational needs are supported, especially where LEAs retain sizeable support services, as they were in Metros 1 and 2. In these two LEAs, the largest proportion of spending within the special educational needs budget was allocated to specialist support for pupils without statements. In the two London boroughs, the largest proportion was allocated

to specialist support for pupils with statements. It is likely that these LEAs, and others that have similar arrangements, will be obliged to delegate to schools funding for the support of pupils with special educational needs in mainstream schools (which, in practice, means learning support assistants).

## 5.2.2 Audits and indicators

The LEAs were selected on the basis that they operated contrasting funding mechanisms. None operated a pure audit – which would be defined as a system based entirely on schools' identifying individual children on the basis of some agreed criteria and submitting these to the LEA for funding, usually after some kind of moderation. However, some did operate a mixed audit and indicator system. The choice of indicators seemed to reflect the ways in which the LEAs perceived special educational needs – that is, some reflected a specific link between social disadvantage and learning difficulty (the most extreme example being London 1) and others defined special educational needs mainly or entirely on the basis of cognitive deficits (for example, London 2 and Metro 2). Metro 1 did not use any SEN indicators. Interestingly, both London 2 and Metro 2 operated selective education systems and used 11+ scores as the basis for their funding mechanism.

**Table 5.2 Summary of funding mechanisms in six LEAs**

	<b>Audit</b>	<b>SEN indicators</b>	<b>AEN indicators</b>
<b>County 1</b>	Yes. 5 bands	Standardised test of reading and maths	FSM
<b>County 2</b>	Yes. 3 bands	Number on roll, FSM, reading scores	None
<b>Metro 1</b>	No	None	FSM
<b>Metro 2</b>	No	11+ scores	FSM
<b>London 1</b>	No	FSM (primary) CAT scores (secondary)	FSM, pupil mobility, looked-after children
<b>London 2</b>	No	SAT and 11+ scores, FSM	Pupil mobility

## 5.3 The county pair

### 5.3.1 County 1

#### **Description (based on Section 52 budget statement for 1999/2000)**

In County 1, 17.2 per cent of the LSB was retained by the LEA and 82.8 per cent was delegated to schools. Centrally retained money funded support services operating in integrated teams of learning support, behaviour support and educational psychology.



### **Pupil-led funding**

Age-weighted pupil funding was weighted towards the early years (Year 0) and Years 10–13.

### **Pupil-led SEN funding**

The LEA had a single system of funding for both non-statutory special needs and for pupils with statements. There was a block allocation to all schools for supporting pupils without statements. In addition, an audit of individual need was carried out based on standardised tests of reading and maths (in Year 6, the Bury checklist). Those scoring below a certain point, or who had been professionally assessed as having special needs, were assessed further using criterion-referenced checklists relating to curriculum, behaviour, medical and physical needs. The audit scores were banded from A (least severe) to E (most severe): bands A–D were flat rates while band E funding varied according to the needs of the individual pupil.

### **Place-led funding**

Units for pupils with special needs were funded on the basis of the number of places provided, rather than actual numbers of pupils in the unit. In addition, these units received fixed sums and might receive funding for notional pupils, depending on the numbers on roll.

### **Additional educational needs factors**

A social deprivation factor was included in the formula to give money to schools that had more than 15 per cent of roll entitled to free school meals (FSMs). For these schools, AEN funding per place/pupil was £3,929 in 1999/2000.

Overall, the age-weighted pupil unit favoured secondary schools but, in response to pressure from first school headteachers, SEN funding at the time of the research was weighted towards the lower age range to encourage early intervention.

### **Standards Fund**

The County had over £4 million in the Standards Fund line of its 1999/2000 Section 52 statement. During the interviews, it was mentioned that, through Standards Fund 19 (Pupil Retention Fund), about £1 million was allocated to schools on the basis of indicators such as free school meals, percentage non-attendance, percentage exclusions and numbers on roll. These indicators were designed to pick up on social deprivation, behaviour and social issues.

### **Definitions**

In the Section 52 statement, AEN and SEN were clearly separate. AEN was defined as social deprivation, measured on the basis of a school threshold of more than 15 per cent of the roll entitled to FSMs. SEN was defined on the basis of an audit of individual need in relation to attainment, curriculum,

behaviour, medical and physical needs. Policy was, reportedly, moving towards removing the distinction between 'SEN' and 'AEN' in the funding mechanism, in line with an overall greater emphasis on inclusion that recognised that all children with 'additional and particular' needs require financial and professional support. In practice, 'SEN' was still used as a label but its appropriateness was being debated at the time of the research.

### 5.3.2 County 2

#### Description (based on Section 52 budget statement for 2000/2001)

In County 2, 84.5 per cent of the LSB was delegated to schools and 15.5 per cent retained by the LEA. Funding to support 'additional educational needs' (see 'Definitions' below), represented about six per cent of the total school budget.

#### Pupil-led funding

Age weighted pupil funding was heavily weighted towards the secondary phase, with Y11–13 receiving approximately twice as much as Y0–2.

#### Pupil-led SEN funding

There were two elements to SEN pupil-led funding. One was designed to target pupils working below the tenth percentile and, in particular, at those working at the first to the fifth percentile. Each school's basic SEN allocation was based on three factors with different proportions according to phase:

- pupil numbers, weighted according to age/year group (33 per cent in primary; 25 per cent in secondary);
- number of pupils at a school entitled to receive free school meals (FSMs) (33 per cent in primary; 25 per cent in secondary)
- Edinburgh Reading Test scores – based on an average of four years' scores and weighted according to level of score (33 per cent in primary; 50 per cent in secondary).

In addition, until September 2000, an allocation of additional funding was based on a criterion-referenced audit that identified the individual needs of a smaller number of pupils with more severe and complex difficulties and provided funding at cost to meet those needs. This system was found to be unsatisfactory as too many pupils were being identified and the criteria for allocating funds were not robust. It had been replaced by one focused on the roughly one per cent of pupils in mainstream schools with the highest levels of additional educational need. It was argued that an audit was necessary to ensure that appropriate funding reached schools catering for these low-incidence, high tariff needs which could not readily be supported through a formula.

The audit framework to identify pupils with severe and complex needs had five sections:

- social, personal and emotional
- learning (divided into subsections of 'literacy', 'general developmental delay' and 'language and communication')
- physical impairment
- sensory
- medical needs.

Within each section, there were criteria descriptors set at three levels (level 1 being the lowest need and level 3 being the highest). Each section and level attracted a different 'standard tariff'. In 2000/2001, these ranged from £1,341 for learning: literacy level 1 to £9,521 for learning: language and communication level 3.

In addition to the funding through the formula and the audit, a small 'Inclusion Reserve' was retained by the LEA to meet criterion-referenced, unforeseen, sudden or transient needs.

### **Place-led funding**

Place-led funding was allocated according to the number of SEN unit places at schools – funding per place was £2,164.

### **Additional educational needs factors**

There were no AEN factors included in this section of the Section 52 budget statement.

### **Definitions**

In policy, County 2 used the term 'additional educational needs' as an umbrella term which, it was believed, described better than 'special educational needs', the range of transitional and profound needs the LEA was called on to meet. Policy documents put forward the argument that most of what are termed SEN are 'in fact additional needs that require first-class teaching and learning experiences, rather than a different, specialist pedagogical approach'.

In the funding formula presented in the Section 52 budget statement, all 'A/SEN' funding was placed under SEN headings and no allocation was made under the AEN heading. The rationale for having the three-factor SEN delegation mechanism was that there is a correlation between social deprivation and additional needs, especially lower levels of need.

## 5.4 Key similarities and differences – county pair

### 5.4.1 Similarities

Key relevant similarities between the county pair of LEAs include the following:

- ◆ both prioritised inclusion
- ◆ both had policy-driven funding mechanisms
- ◆ both were consultative in their approach and sought to work in partnership with their schools
- ◆ both spent the biggest proportion of the retained special education budget on fees for pupils at independent schools and both were striving to reduce this
- ◆ both had centrally retained support services that worked closely with schools in multi-professional teams
- ◆ both used audits to identify the pupils with higher levels of need
- ◆ both had less than one per cent of pupils in LEA special schools.

### 5.4.2 Differences

The key differences between the county pair of LEAs, as these relate to the funding mechanism for special/additional needs, include the following:

- ◆ **policy** – a policy emphasis in County 1 was for the LEA to work in closer partnership with schools; in County 2, a policy emphasis was to work in closer partnership with parents.
- ◆ **definitions** – in County 1, the AEN heading in the Section 52 statement was used to include a factor in the mechanism based on social deprivation, as measured by FSM entitlement. In the mechanism, this was viewed as separated from SEN factors. In policy terms, however, debate was moving closer to the position of County 2, where no factors were included under the AEN heading: rather, AEN was used as an umbrella term that recognised the link between social background and statutorily-defined SEN. In County 2, FSM entitlement was used as part of the mechanism for funding lower levels of need.
- ◆ **mechanism used to identify lower level needs** – in County 1, standardised tests of English and maths were used to identify pupils with lower-intensity needs; in County 2, three factors were taken into account – free school meal entitlement, number on roll and standardised test scores for reading. In County 1, the underlying rationale seemed to be that low-level SEN was defined in relation to individual difficulty in accessing the curriculum, while the County 2 approach seemed to be underpinned by an awareness of the role that home and school context plays in creating low-level, special educational need.

- ◆ *audit categories* – the two LEAs also differed in the range of categories they used to subdivide the label of A/SEN. Notably, County 1 referred to 'behaviour' while County 2 included a category covering 'social, personal and emotional' difficulties. Again, County 2's funding mechanism seemed to reflect greater awareness of contextual factors, as opposed to individual issues.
- ◆ *monitoring* – County 1 was much further down the line than County 2 in terms of putting in place systems for monitoring and evaluating the impact of the funding mechanism. However, County 2 intended to follow a similar path very soon.
- ◆ *indicators of effectiveness* – in County 1, indicators of the effectiveness of the funding mechanism in achieving policy aims were mainly concerned with processes while in County 2, they were mainly concerned with outcomes.

It would seem that, in this instance, the conceptualisation of special/additional educational needs was the main explanatory factor as to why two very similar LEAs had different funding mechanisms for A/SEN.

## 5.5 The metropolitan pair

### 5.5.1 Metropolitan 1

#### **Description (based on Section 52 budget statement for 1999/2000)**

In Metro 1, 19.82 per cent of the LSB was retained by the LEA and 80.18 per cent delegated to schools. Centrally retained money funded support services, including learning support, behaviour support, sensory impairment and educational psychology. It also included funding for learning support assistants, although some of this came via the Standards Fund.

#### **Pupil-led funding**

The ISB per capita funding per pupil in this LEA was the second lowest of the ten boroughs in the immediate area. Primary pupils were funded at a rate that was higher than six of the boroughs in the immediate geographic area. Secondary pupils were funded at a rate which was the second lowest in the immediate geographic area.

#### **Pupil-led SEN funding**

No SEN funding was delegated to the generality of mainstream schools under the pupil-led SEN funding heading or under that of 'place-led' treated as 'pupil-led' funding. The LEA maintained that a proportion of the AWPU figure served this purpose. However, no indication of the notional SEN budget was given to mainstream schools, other than to those which were resourced, designated or had special units. Funding for special units and resourced mainstream schools was delegated, but this appeared under section 3b of the Section 52 budget statement that related to special schools.

### **Place-led funding**

Resourced and designated schools and units for pupils with special needs in this LEA were funded on the basis of an agreed number of places for each school to support the range of special provision. The place factor covered teaching staff, ancillary staff and support staff costs. The funding per place varied, in some cases, according to age and the category of difficulty.

There were similar variations in the funding per place for classroom support and other staff costs. No total per place was given in the budget statement. In the case of designated schools, adaptations had been made for pupils with physical disabilities and some funding was delegated to offset the impact on staffing. However, as the numbers of pupils rose, it was decided to devolve the total budget to designated schools, so that they could make their own contractual arrangements with learning support assistants, who might number as many as 20 in any one school.

### **Additional educational needs factors**

A social needs allowance was included in the formula. The money was allocated in proportion to the number of pupils on roll and the square of the percentage of pupils entitled to free school meals averaged over the last three years. No figure for AEN funding per place/pupil was given in the budget statement, and there was no indication of weighting.

Interviews revealed that a primary school with 40 per cent FSM entitlement might receive £18,000 on the basis of the AEN formula. Such a school might have more than 90 pupils on the SEN register but would not receive any additional funding to support these pupils. It was reported that most headteachers used the AEN funding to employ classroom assistants, but that these were not necessarily special needs assistants.

The LEA did not recognise a direct link between social deprivation and special educational needs.

### **Standards Fund**

The LEA had just under £4 million in the Standards Fund line of its 1999/2000 Section 52 Statement. During the interviews, it was mentioned that a number of Standards Fund grants had brought learning assistants into classrooms.

### **Definitions**

In the Section 52 statement, AEN and SEN were clearly separate, although SEN was only really defined within the formula with reference to those pupils who were in resourced or designated provision or in units in mainstream schools. AEN was defined as social needs, measured on the basis of entitlement to FSMs with funding allocated via a rather complex formula. Thus, special educational needs in mainstream schools were not differentially supported through the funding formula in this LEA.

### **5.5.2 Metropolitan 2**

#### **Description (based on Section 52 budget statements for 1999/2000 and 2000/2001)**

In Metro 2, which had a selective secondary system, 19.14 per cent of the LSB was retained by the LEA and 80.86 per cent delegated to schools. Primary schools in the borough were funded generally at a level below the national average, while secondary schools were funded at about the average level. The weighting was heavily towards secondary schools and post-16 education. In the last financial year, an additional £500,000 had been allocated to primary schools. There was evidence to suggest that over the last five years, primary school budgets had increased by 42 per cent, and those for secondary schools by 16 per cent.

#### **Pupil-led funding**

Age-weighted pupil funding was weighted towards pupils aged 14+ to 17+. Pupils in this age group received over twice the level of funding of those below 14+. A small schools' allowance was allocated to all primary schools for each FTE pupil on roll below 210.

#### **Pupil-led SEN funding**

Special educational needs for pupils without statements were funded on the basis of the number of pupils scoring below 90 in the 11+ examination. The indicator of need was the average annual number of pupils in the three previous years who had scored below 90. This money was allocated to secondary schools and feeder primary schools on this basis retrospectively and was intended to target moderate learning difficulties. Junior schools and primary schools received two units of resource for each qualifying pupil, infant schools received two units of resource for each qualifying pupil in the junior school into which the infant school fed, and secondary schools received one unit for each qualifying Y7 pupil.

The allocations made under this factor and the AEN factor were intended for schools to deal with Stages 1 and 2 and, to a lesser extent, Stage 3 of the Code of Practice. A moderation process was in place, requiring schools to demonstrate that they had provided intervention at Stages 1 and 2 of the Code of Practice, in order to qualify for Stage 3 support from centrally funded services.

In addition, money was delegated under the heading of pupil-led funding for pupils with statements of special needs in special units in mainstream schools. Money was also delegated under the heading of place-led funding treated as pupil led for pupils in designated special classes. There were two funding elements to the units: the mainstream AWPU figure, on a per capita weighted basis, and an element which reflected unit staff salary and supply costs. The delegation of funding to units was relatively recent and the process was influenced by the historical position. A typical single unit took

12 pupils (there were double and triple units) and represented the costs of two teachers, an LSA and some money for capitation and premises costs. This more or less fixed cost per unit was delegated through the formula on a per capita basis.

A good deal of the money used to support SEN and AEN in this borough was retained centrally, much of it used to provide various SEN support services. The budgets held centrally were not cash limited but depended on demand. Centrally retained money funded support services, including learning support, behaviour support, sensory impairment and educational psychology. It also included funding for learning support assistants, although some of this came via the Standards Fund.

### **Additional educational needs factors**

Additional educational needs (AEN) were addressed within the delegated budget through a social deprivation factor based on free school meals entitlement. The LEA was a low delegator through that formula factor: only schools with more than 20 per cent on roll qualifying for FSM received it: so some schools received nothing through this factor. Each qualifying infant, junior and primary school received two units per pupil, and secondary schools received one unit per pupil. Secondary schools with sixth forms received no funding under this formula factor.

### **Standards Fund**

The LEA had just under £3 million in the Standards Fund line of its 1999/2000 Section 52 Statement. Money from the Standards Fund was seen as a substantial source of funding. It, in part, provided the funding for initiatives to support disaffected pupils and was also expected to provide funding for a behaviour support team. A new Standards Fund Grant was to provide additional LSAs to support literacy, numeracy and behaviour. Ethnic Minorities and Travellers' Achievement Grant (EMTAG) funding supported EAL and traveller services.

### **Definitions**

In the Section 52 statement, AEN and SEN were clearly separate. SEN funding for pupils without statements related to performance on the 11+ test. It was suggested during interviews that this was intended to target pupils with moderate learning difficulties. SEN funding for pupils with statements was largely defined within the formula with reference to those pupils who were in provision in mainstream schools, which, again, largely related to pupils with moderate learning difficulties. AEN was defined as social deprivation, measured on the basis of a school threshold of more than 20 per cent entitlement to FSMs.



## 5.6 Key similarities and differences – metro-politan pair

### 5.6.1 Similarities

Key relevant similarities between the metropolitan pair of case study LEAs include the following:

- ◆ both LEAs had low SSAs, although this was more of an issue in Metro 1 than Metro 2
- ◆ both LEAs spent above the SSA, but this was higher for Metro 1, at three per cent, than for Metro 2
- ◆ both had responded to social deprivation by introducing an AEN factor in their formula based on free school meals but both were, however, relatively low delegators via this factor
- ◆ statement rates were below the national average of 2.98 per cent but Metro 2 was lower than Metro 1 (1.9 per cent and 2.6 per cent)
- ◆ inclusion rates, based on the percentage of pupils in special schools, were similar at about the national average rate (1.2 per cent) in Metro 2 and slightly below (1.3 per cent) in Metro 1
- ◆ both had 'resourced' provision for SEN in mainstream schools
- ◆ both had centrally funded provision for support in mainstream schools which provided personnel rather than funding
- ◆ both made use of out-borough provision but for Metro 2 this was substantially more than Metro 1
- ◆ both LEAs had been undertaking consultation exercises with reference to SEN.

### 5.6.2 Differences

The key differences between the metropolitan pair of LEAs, as these relate to the funding mechanism for special/additional educational needs, include the following:

- ◆ Metro 2 had a selective secondary education system
- ◆ Metro 2 was Labour controlled, having previously been Conservative controlled. The selective system had become an issue for some parents, as had funding for sixth forms. Metro 1 was Liberal Democrat controlled, having previously had a balanced council for about 16 years.
- ◆ Metro 1 did not delegate any SEN funding for pupils without statements to mainstream schools, although it maintained that there was an element in the AWPU figure for this. Metro 2 delegated some SEN funding for pupils without statements to mainstream schools retrospectively on the basis of performance on the 11+ test.

- ◆ Metro 1 did not identify a notional SEN budget within its Section 52 budget statement to schools, other than to those with additional provision, e.g. resourced schools
- ◆ Metro 1 allocated a higher proportion of its LSB to SEN than did Metro 2 (8.3 per cent compared to 3.08 per cent)
- ◆ Metro 1 was in the process of devolving funding for its Learning Support Service to secondary schools, following a consultation exercise
- ◆ Metro 2 was undertaking a comprehensive review of SEN involving wide consultation.

The historical and political contexts were critical to understanding the development of SEN policy and funding in both these LEAs. Metro 1 had a long history of hung councils which had led to a series of negotiations and compromises to reach a consensus. There was early delegation of funding to schools under LMS but, alongside that, the retention of a large centrally funded teaching service. There was also a commitment to integration, realised through the location of resources in special units housed within, but not necessarily part of, mainstream schools.

In Metro 2, the recent change to Labour control, after a long history of Conservative control, had led to a change in funding priorities to put more money into primary schools and to introduce a social needs element into its funding formula. SEN had become a higher priority.

## 5.7 The London pair

### 5.7.1 London 1

#### Description of funding mechanism

There had been a new funding mechanism in place in London 1 since 1999/2000. The previous mechanism had been based on an audit. The current system used a complex array of social disadvantage indicators and cognitive tests. The LEA had found that the previous audit system was pushing money into schools in the more affluent end of the borough and was disadvantaging those schools which had higher levels of pupils with learning difficulties due to social and economic disadvantage.

The total funding delegated to primary, secondary and special schools in London 1 (including Standards Fund Devolved Grant) represented 82.94 per cent of the LSB (figures taken from 2000/2001 Section 52 statement).

#### Pupil-led funding

Age-weighted pupil funding ranged between £1,509 in Y3–5, £2,055 in YR and £2,967 in Y12–13. A notional four per cent of the AWPU was intended to support special educational needs.

### **Pupil-led SEN funding**

Pupil-led SEN funding, according to the Section 52 statement, was allocated as follows:

- In primary schools, funding for learning difficulties was allocated on the basis of free school meals and for social deprivation, on the basis of children in public care, pupil mobility and free school meals.
- In secondary schools, funding for learning difficulties was allocated on the basis of CAT scores and free school meals and for social deprivation on the same basis as for primary schools.

The total sum delivered through these factors represented 4.2 per cent of primary and secondary budgets.

### **Place-led funding**

There was no SEN funding treated as pupil led in the formula (i.e. no place-led funding).

### **Additional educational needs (AEN) factors**

A number of factors were included in this section. For primary schools, these were: nurture groups (six groups each with 10 places); Ethnic Minorities Achievement Allocation; and translation and interpretation. For secondary schools, they were: on-site units (seven units each with 10 places); a 12-place unit for specific learning difficulties; an allocation for Ethnic Minorities Achievement and a sum for translation and interpretation. The total delivered through these factors was 0.8 per cent of the primary and secondary budgets.

### **Centrally funded SEN services**

Funding for special educational needs retained centrally included funding for:

- Educational Psychology Service/Assessments and Statementing
- provision for pupils with statements
- specialist support (pupils with statements)
- specialist support (pupils without statements)
- promoting good practice/collaboration/integration
- pupil referral units
- behaviour support plans
- education out of school
- LEA functions in relation to child protection
- fees for pupils at independent special schools and abroad.

The total retained for centrally funded SEN services was just under £10 million.

In addition, there was funding for excluded pupils and for the Education Welfare Service which, within London 1's definition of 'diverse needs', would be seen as part of the funding to support pupils with additional or special educational needs.

### Definitions

The shift from an SEN audit system to a system based predominantly on indicators of social deprivation (particularly at the primary phase) marked a distinct attempt to shift the culture of the LEA and its schools away from a 'within-child' deficit model, to one in which special educational needs were seen as a subset of diverse needs defined in a much more inclusive way. Definitions in policy terms were attempting to broaden the concept of special needs. The LEA's definitions were as follows:

- **Additional educational needs** (AEN) is the name given to the range of factors which LEAs take into account when funding schools for special educational need and social disadvantage.
- A child has **special educational needs** if s/he has a learning difficulty which calls for special educational provision.
- A child of school age has a **learning difficulty** if s/he:
  - i) has a significantly greater difficulty in learning than the majority of children of the same age (this would include children with emotional and behavioural difficulties).
  - ii) has a disability which prevents or hinders the child from making use of the educational facilities provided for children of the same age in schools in that LEA.

The LEA was attempting to blur the distinction between special educational need and social disadvantage and to make the point that emotional and behavioural difficulties are part of the spectrum of learning difficulties.

## 5.7.2 London 2

### Description of the funding mechanism for SEN

London 2 delegated 80.66 per cent of its LSB to schools. The notional SEN formula allocation to schools was 9.3 per cent across primary and secondary schools.

### Pupil-led funding

Age-weighted pupil funding was weighted towards the secondary age group, with KS4 pupils allocated twice the amount that was allocated to KS2 pupils.

### Pupil-led SEN funding

This was based on a simple formula which included a measure of cognitive ability and a socio-economic factor (FSM).

In secondary schools, pupils entering Y7 with a low score (below 85) on the maths and English tests given in Y6 for 11+ selection attracted extra

funding. A proportion of low scorers for each school was calculated on the basis of the Form 7 return total. That proportion was then used for that cohort as it moved through Year 8; it was assumed that the low-scoring proportion would remain similar despite the pupil mobility.

A similar exercise was carried out for KS2 funding, using KS1 SATs scores. The proportion of pupils scoring below level 2 was applied to the cohort through Years 3–6 on the basis of the Form 7 return.

Allocations for KS1 used a baseline testing developed by the LEA and approved by DfES. This was a three-year rolling average applied to Years R–2

Free school meals was the other SEN element in the formula, added at the request of headteachers.

### **Additional educational needs factors**

Additional educational needs in the formula were defined in terms of ‘turbulence’.

### **Place-led funding**

The authority had special classes in a number of its mainstream schools. The funding for these was allocated in bands, which corresponded to types of SEN. The lowest level of funding was band H (for moderate and specific learning difficulties) and the highest was band D (which had three levels within it) and was designed for pupils with the most severe hearing, communication or emotional and behavioural difficulties. Two other bands (A, which was for severe and profound and multiple difficulties, and B, which was autistic spectrum disorder) were not used to allocate funding to mainstream schools or special classes.

### **Standards Fund**

The LEA received £3.7 million in Standards Fund grant, of which it devolved £3.5 million; some of this had been used to fund a support service for pupils out of school because of mental health problems.

### **Definitions**

As far as the Section 52 statement was concerned, the LEA clearly defined SEN in terms of scores on standardised tests – CATs scores on 11+ tests, SATs and baseline test scores. The authority added a socio-deprivation element to its formula in response to pressure from headteachers, but this did not change the proportions of funding received by schools. There was no explicit policy link between social deprivation and special educational needs. The special needs element in the formula was allocated by means of criteria which as nearly as possible identified the number of children in each school in the lowest 20 per cent of the ability range in the authority’s schools. Pupils with emotional and behavioural difficulties were not explicitly included in this population unless they fell within this ability group.

## 5.8 Key similarities and differences – London pair

### 5.8.1 Similarities

Key similarities in the case study pair of outer London LEAs included the following:

- ◆ both LEAs appeared to have a high turnover of pupils in their schools
- ◆ both LEAs had a shortage of pupil places, with movement of pupils in and out of the LEA
- ◆ both had statement rates below the national average of three per cent (2.5 per cent and 2.3 per cent)
- ◆ both had inclusion rates slightly above the national average of 1.2 per cent (around one per cent of pupils in special schools in each LEA)
- ◆ both had similar numbers of primary, secondary and special schools
- ◆ both had similar proportions of the LSB spent on SEN (6.97 per cent and 6.84 per cent).

### 5.8.2 Differences

The key differences in the outer London case study pair, as these related to funding mechanisms for special/additional needs, included the following:

- ◆ London 1 appeared to be more socially diverse than London 2, with more extremes of affluence and deprivation
- ◆ London 2 had a selective secondary education system; London 1 did not
- ◆ London 2 was Conservative controlled and the maintenance of the selective system of education was the corner-stone of the LEA's education policy; London 1 was Labour controlled, tackling social deprivation and implementing the Government's social and educational inclusion agenda within education policy
- ◆ the funding mechanism for AEN/SEN in primary schools in London 1 was entirely made up of social deprivation indicators (FSM, children in public care and pupil mobility). In secondary, the formula used CATs scores and social deprivation indicators. The funding mechanism for SEN in London 2 was based mainly on scores on standardised tests, with a social deprivation element (FSM). For AEN, a pupil mobility factor was the sole indicator.
- ◆ there was greater focus on social deprivation as a trigger for pupils requiring extra support in schools in London 1. Unlike London 2, London 1 had used Standards Fund and other government grants for tackling social exclusion (e.g. Sure Start and EAZ funding) to support its drive to improve educational outcomes in socio-economically deprived areas of the borough.

- ◆ London 2 did not view the funding mechanism for special needs as a key element in underpinning the LEA's special educational needs policy, whereas London 1 placed emphasis on this aspect of the funding mechanism
- ◆ London 2 did not see a role for the LEA in influencing the decisions about use of resources made by schools, whereas London 1 was proactive in making explicit what funding schools got and for what it was intended to be used
- ◆ London 1 was interventionist and about to introduce a detailed monitoring and evaluation process for SEN into its schools; London 2 was not proactive in monitoring schools' use of funds.

## 5.9 Emerging themes

Taking an overview of the six LEAs chosen for case study work, a number of inter-related themes seem to emerge. These themes include:

- ◆ the political and historical culture of the LEA
- ◆ the conceptualisation of need
- ◆ the rationales for particular mechanisms
- ◆ approaches towards inclusion
- ◆ the variety of ways of monitoring and evaluating practice.

The first two of these seem to be particularly helpful in understanding why different mechanisms are adopted in different LEAs, even when these LEAs are of the same type and are close statistical neighbours. The other three have emerged as recurring issues that play out differently depending on LEA culture and on how needs are understood.

### 5.9.1 The culture of the LEA

The culture within an LEA is affected by its history and demography, which, in turn, affect local politics and determine the political balance of the local council. The six case study LEAs spanned a range of political cultures, which affected their policy and funding mechanisms in a variety of ways. Two of the LEAs (Metro 2 and London 2) had selective education systems, the maintenance of which had been a key priority for successive councils. This had led to the skewing of resources towards the secondary sector, particularly to schools with sixth forms. Two LEAs (County 2 and Metro 2) had experienced a recent change in political control, which had led to more policy and funding focus on special educational needs and social deprivation as a factor in exacerbating these. London 1 had a longstanding commitment to educational equity and sought to achieve this through its funding policies, which strongly emphasised social deprivation as a key component of special educational needs.

### **5.9.2 The conceptualisation of need**

The way in which needs are conceptualised within LEA policy also helps to explain differences in funding mechanisms adopted. The main distinction here is whether or not SEN is viewed as separate from AEN. For example, some of the case-study LEAs, such as Metro 1 and 2, London 2 and County 1, recognised social needs only under the small AEN heading within the funding mechanism. This implies a conceptual distinction being made between 'within child' difficulties and difficulties arising within a social context. Other LEAs, such as London 1 and County 2, recognised the links between learning and social context and provided funding on both grounds within the main, pupil-led, part of their funding mechanism. In County 1, this issue was under review at the time of the research and it was likely that policy and the funding mechanism would shift to reflect a position akin to London 1 and County 2 where the 'child-deficit' model had been explicitly rejected in favour of a more holistic, contextualised model of needs.

In Metros 1 and 2 and in London 2, the funding mechanisms, which only provided through the AWPUP for pupils with lower levels of need, reflected an understanding of SEN as those requiring to be educated in a different setting, such as resourced units and special schools. In other LEAs, identified funding was not limited to those in a particular placement or having a statement.

Again, the way in which need is defined in policy and reflected in the funding mechanism helps to explain differences between otherwise similar LEAs.

### **5.9.3 Rationales for mechanisms**

It is clear from the case-study LEAs that policy priorities drive the detail of some funding mechanisms rather more than others – for example, London 1 and both the County LEAs had funding mechanisms specifically designed to implement policy aims related to A/SEN. In other LEAs, such as London 2, the funding mechanism for A/SEN was affected more by other policy priorities, such as maintaining a selective education system and a low spend on education. This difference helps to explain also why some of the case-study LEAs reviewed their funding mechanisms (to ensure they were achieving their aims) while others strove to maintain the status quo and, for example, to resist external pressure to increase inclusion and/or delegation.

It is interesting to note that different mechanisms were adopted in order to achieve the same intended outcomes. For example, improving the equitable distribution of money according to need, reducing the level of statements and promoting early intervention were the aims of the different mechanisms used in Metro 1 and County 1.

Another recurring theme was the arguments for and against using specifically generated data (by audits) versus data readily available, such as standardised tests and FSM data, as the basis for funding. Audits were viewed as



expensive and time consuming, while tests and FSMs were cheaper because the information was collected anyway and viewed as being just as effective in ensuring appropriate amounts of money reached schools in need of it. Audits tied to stages of the Code of Practice were seen to introduce a 'perverse incentive'. On the other hand, moderated audits that were not tied to the Code, and which resulted in adequate funding reaching schools, were viewed as transparent, equitable and worth the money invested because of the developmental effect on schools and teachers. The way in which the rationales for mechanisms were perceived in practice will be explored further in Chapter 6.

#### **5.9.4 Approaches towards 'inclusion'**

A few points relating to inclusion stood out. It was clear from Metro 2 and London 2 that a selective education system militated against the implementation of inclusion (if this is interpreted as meaning that all schools are inclusive, rather than the local system as a whole being inclusive); the amount of money left to fund provision for A/SEN seemed, in these authorities, to be depressed. Furthermore, the concentration of pupils with A/SEN in a small number of schools, in some cases, caused difficulties.

In LEAs where inclusion was a policy priority – such as Metro 1, London 1 and both County LEAs – centrally retained services (of varying sizes) were viewed as supporting schools in their efforts to put inclusion into practice. A range of LEA provision, giving options to placements in special schools and outside the LEA, was also seen as promoting inclusion. In some LEAs, the way in which delegation had been implemented therefore affected the promotion of inclusion.

#### **5.9.5 Monitoring and evaluation**

The case-study LEAs presented a range of stances on monitoring and evaluation of the effectiveness of their SEN policies, from less developed to well developed. In London 2, for example, almost no monitoring or evaluation was carried out, perhaps reflecting the low policy priority given to A/SEN. On the other hand, in County 1, the high policy priority was reflected in monitoring and evaluation across inputs (e.g. money and people-time received), processes (e.g. use of support services, management of budgets for A/SEN) and outcomes (e.g. improved attainment, reduced exclusions). In both London 1 and County 2, this aspect of LEA work was being developed in a way similar to that in County 1.

The impacts of SEN policies and funding practices will be explored further in Chapter 6, which focuses on decision-making at the school level.

## **6. SCHOOL RESPONSES IN SIX LEAS**

### **6.1 The impact of the mechanism on schools**

#### **6.1.1 Schools' knowledge of the funding arrangements**

Some of the LEAs in the sample went to considerable lengths to inform schools about their mechanisms and the ways in which the funding was intended to be used to support special educational needs. This was especially the case during periods when the funding mechanism was undergoing radical change (such as in County 2 in 2000 and London 1 in 1999). These LEAs produced a series of documents for schools that spelled out the changes and the rationale for them. Essentially, the rationale for the changes was better targeting of funds to schools with the highest level of special educational needs. This appeared to be well understood and accepted in the LEAs concerned, although it meant that there would be 'winners' and 'losers' among the schools.

LEAs are obliged to consult annually with schools and governing bodies about their funding formula: this results in senior management in schools being well aware of the mechanisms. In one LEA (London 2), the headteachers were instrumental in forcing the authority to add a free school meals component to its formula, even though (the authority claimed) it would make no difference to the actual amounts going into schools. This implied that the formula were seen by heads not merely as a way of delegating funds to schools but also as a way of conceptualising special educational needs. In this LEA, special educational needs were defined primarily in terms of test scores; the headteachers interviewed reported that they were given no funding for pupils with emotional and behavioural difficulties. There was a mismatch between the LEA's view that the funding formula was merely a method of delegating funding to schools and the heads' view that the ways in which money came into school should reflect the range of additional and special needs in the school population.

In Metro 1, the formula provided no specific funding for SEN in ordinary mainstream schools other than a basic allocation for SEN within the AWPU (mainstream schools with units did, of course, receive specific funding). This was not made clear to schools and resulted in some confusion, as schools did not feel that they were specifically funded to support special educational needs. Funding that went into schools in Metro 1 for 'additional educational needs' through a free school meals factor was not necessarily used to support special educational needs, although it was used to employ classroom assistants. Pupils with higher levels of special educational needs (who might in other authorities be given support from the schools' SEN budgets) were sometimes allocated extra classroom support or support teaching from a centralised team.

There was still some confusion in schools (as there was in LEAs) about the link between special educational needs and social deprivation. Schools with higher numbers of pupils from disadvantaged backgrounds were more likely to make this link and to talk about the pressures that arose from having high concentrations of socially disadvantaged pupils and the extra demands on staff that these generate. Schools with fewer pupils from such backgrounds were more likely to be focused on special educational needs in terms of individual needs of pupils, although they, too, were aware of the link for some pupils.

### **6.1.2 Special needs funding and schools' budgets**

For some of the schools in the NFER research, the special needs funding was a significant proportion of their budget. As argued in Chapter 1, SEN funding must be considered in the context of the overall funding that schools receive. The table on the next page gives a summary of each school's total budget and the proportion of this that constituted the SEN funding.

What is immediately obvious from these comparisons in Table 6.1 is that there was a wide variation both within and across LEAs in the proportion of funding allocated to schools for special educational needs. While this is to be expected, since the aim of differential funding is to treat like schools alike and unlike schools differently, nevertheless there were some anomalies which need explaining. For example, the primary schools in London 1 had similar proportions of their pupil population with special educational needs, yet the SEN element within the formula yielded a greater amount proportionately for one of the schools because it was calculated on the basis of free school meals only. When this element and the AEN element are added together, this school received a significantly greater proportion of its budget on the basis of its AEN and SEN head count. The secondary schools in this LEA, one of which had a significantly higher proportion of pupils with special educational needs, both received similar proportions of their budget through the SEN/AEN formula. At the secondary level, in this LEA, a CATS score element was added to the free school meals element in the formula. Nevertheless, the weighting of the formula towards free school meals, and the addition of the AEN element also based on free school meals, resulted in one comprehensive, with 40 per cent of its pupils having SEN, receiving a slightly smaller proportion of its budget through the SEN/AEN mechanism than the other, which had 26 per cent of its pupils with special educational needs.

By contrast, in London 2, the two primary schools received similar proportions of their budgets for special educational needs. In this LEA, the special needs element of the formula was calculated on a combination of test scores and free school meals. In the two secondary schools from London 2, the proportions of the budget allocated through the SEN element were also roughly similar.

Table 6.1 Percentage SEN budgets in case study schools

LEA type	School type	Size	% SEN pupils	Total budget	AEN/SEN funding	% SEN funding
London 1	Comprehensive	1202	40	£3,224,962	£139,554	4.32
	Comprehensive	1277	26	£3,924,498	£187,693	4.78
	Primary + nursery	520	40	£ 962,808	£ 74,114	7.69
	Primary + nursery	898	42	£1,831,458	£167,019	9.11
London 2	Non-selective sec.	1188	22	£2,979,704	£160,724	5.36
	Non-selective sec.	1381	18	£3,301,251	£196,340	5.94
	Primary + nursery	445	27	£ 765,347	£ 44,666	5.83
	Primary + nursery	437	27	£ 733,678	£ 41,839	5.70
County 1	Comprehensive	601	21	£1,660,260	£143,746	8.65
	Comprehensive	604	22	£1,517,914	£ 69,200	4.55
	Middle	319	16	£ 567,810	£ 21,969	3.86
	Middle	330	20	£ 573,344	£ 22,465	3.91
County 2	Comprehensive	641	20	£1,632,103	£159,261	9.75
	Comprehensive	681	17	£1,734,725	£187,881	10.83
	First School	146	21	£ 283,352	£ 37,449	13.21
	First School H	170	8	£ 298,677	£ 19,476	6.52
Metro 1	Comprehensive	1,382	24.1	£3,240,580	£ 22,893	0.7
	Comprehensive	1,163	20.4	£2,933,204	£138,240	4.7
	Primary	247	10.5	£ 414,492	—	—
	Primary + nursery	247	22.4	£ 414,295	—	—
Metro 2	Non-selective sec.	715	31.3	£1,918,891	£ 55,888	2.91
	Non-selective sec.	1046	22.9	£2,662,029	£ 55,110	2.07
	Primary (7-11)	254	32.6	£ 476,844	£ 12,140	2.54
	Primary (7-11)	195	35.9	£ 432,238	£ 12,140	2.80

However, in County 1, there was a marked difference in the funding proportions for SEN in the two comprehensive schools, which had similar proportions of pupils with special educational needs. This is explained by the fact that one school had more pupils on bands B, C and E of the funding mechanism, thus attracting a higher level of funding per SEN pupil. This school also had a resourced unit for specific learning difficulties, which attracted a further sum of money. The differential between these two schools, however, illustrates the perverse incentives built into the audit system, in that schools received a higher level of funding if they could make out a case for categorising pupils on higher bands of need.

In the two metropolitan LEAs, there appeared to be less funding within schools' budgets allocated for SEN. In Metro 1, the discrepancy between the two comprehensive schools can be explained by the fact that one of these had a special unit, the funding of which was delegated to the school. The very low levels of funding specifically allocated in respect of pupils with SEN in three of the schools in Metro 1 were a consequence of the funding mechanism which used free school meals as the sole indicator of AEN. The schools in question were below the threshold for allocation of FSM funding and thus received no extra allocation. No separate notional allocation of funding for SEN was indicated to these schools in their budget statements. In one of the primary schools, there was a special unit for pupils with sensory impairment but funding for this was not delegated to the school and therefore did not form part of the school's budget. In schools in this LEA, there was some confusion about the extent to which the schools' budgets were expected to meet the needs of pupils with SEN and the extent to which schools could access support from centrally funded SEN services.

In Metro 2, funding was allocated on the basis of scores on 11+ tests, plus a small amount through an FSM formula. This funding was for the support of pupils on Stages 1 and 2 of the Code of Practice. Support for pupils on Stage 3 was from centrally funded support services.

These examples illustrate some of the outcomes in practice of a range of methods of funding special educational needs. The schools in the NFER sample were matched as far as possible in terms of their pupil populations according to SEN and AEN factors; in some cases, this resulted in similar proportions of funding being allocated for special and additional educational needs while in other cases it did not. The most consistent system appeared to be one used in London 2, where both standardised tests and free school meals were used to allocate funding. The system in London 1, which was heavily weighted towards social deprivation, both as a measure of SEN and of AEN, appeared to produce anomalies, as did the audit system used in County 1. County 2 also used an audit for higher incidence needs, but at the lower level used a combination of test scores and free school meals. This system also appeared to provide consistent outcomes in terms of proportions of SEN funding.

## **6.2 Access to support services**

Half of the LEAs in the NFER research retained large support services consisting of special needs teachers and classroom assistants, who would be allocated to the schools on the basis of certain criteria. In London 1, the major element in the special needs budget was support for pupils with statements of special educational needs. This centrally retained funding was used to provide a large number of support assistants and a smaller number of special needs teachers allocated to schools to support individual pupils. As far as schools were concerned, the disadvantages of this system were:

- ◆ a large number of different assistants were coming into school for different amounts of time, and this was difficult to manage and coordinate
- ◆ the quality of the support varied, and schools would have liked to be able to choose whom they used
- ◆ if pupils were absent, support could not be used flexibly.

For these reasons, the secondary schools and larger primary schools would have preferred to employ their own LSAs and teachers. The argument that a centralised system safeguarded quality did not seem to be borne out in London 1, since the schools involved did not always feel that the expertise and commitment of the staff who came into their schools were as great as they would have liked. In those LEAs where funding for support was devolved or delegated, schools reported that they had managed to obtain staff who were committed and had the relevant skills, or, if they were not able to secure skilled staff, the schools were able to train them to develop the skills required. Schools were able to tailor the support they were able to offer to the needs of the pupils in their school.

All the LEAs in the sample had additional support services for pupils with sensory impairment. Many also had a service for pupils with emotional and behavioural difficulties, often based in a pupil referral unit (PRU).

All the schools in the sample received an allocation of educational psychology time, calculated on a pro rata basis on the size of the school. In some LEAs, a team consisting of SEN advisers and educational psychologists would visit schools on a regular basis to discuss the SEN issues in the schools and offer advice. Schools would buy in extra time or more specialist advice as necessary. (For example, one school was paying for weekly counselling sessions for a child who had been bereaved.) Most of the schools claimed that they used more than their basic budget allocation to support special needs. This was summed up by the deputy head in one school, who said:

*And that total already exceeds the amount we receive. We're actually planning to spend this year £44,136 on special needs, which works out at six per cent of our budget share, as opposed to the four per cent that's given.*

(Interviewer) *And who decided you should do this?*

*I suppose in a way it's the children have decided it, isn't it? It's the children coming in. We know there's the need there – it's led by the need of the children. You know, we could say we're only going to spend the twenty odd thousand on it, we're going to make what we've got stretch. But it's to do with the needs of the children. We've highlighted those needs, whether it's a baseline, whether it's children coming in throughout the school; we've highlighted the need, the need is there. They need the support and we find we are able to provide the support. So we're obviously cutting down in other areas to support those children, and the benefits must be long term for us. Otherwise you know, we wouldn't be doing that.*

(Interviewer) *In terms of raising standards?*

*Absolutely! And, you know, I think we see that at the output end, when we get those end-of-key-stage-2 results and see that all children, 97 per cent of our children within English, have achieved average ability level four or above. And that's what we're aiming towards – giving all of our children that good start, that good grounding, ready for secondary school. So it is needs led, I think.*

Not all the schools, however, saw the situation in the same way. A head in one school defended the decision to cut back on SEN spending by saying that he was not sure how he would justify to OFSTED the expenditure on that group of pupils rather than on KS 3 and 4.

## **6.3 Schools' use of their SEN budgets**

### **6.3.1 Staffing**

All the schools in the sample paid the salary of the SENCO out of the SEN budget allocation. In some primary schools, the SENCO was a part-time appointment; in others, it was part of a deputy head or full-time class teacher role. The range in primary schools was from a full-time SENCO plus a full-time SEN teacher to a SENCO who had half-a-day per week for the role. In some schools, the SENCO role was purely administrative and coordinating; in others, the SENCO took small groups and individuals for specialised input. All except one of the schools used some of the SEN budget allocation to employ learning support assistants (LSAs) for SEN. Again, there were wide variations between schools in the numbers of LSAs they employed in the primary schools; this varied from none to 75 hours per week. The secondary schools and two of the larger primary schools in the sample also employed specialist SEN teachers from their school budgets. There was a wide variation among schools in the proportion of their budgets that they allocated to SEN support and the ways in which this was organised. Below are some examples of the contrasting ways in which the pairs of schools chosen from each LEA organised and used their resources.

### **6.3.2 The organisation of SEN support in schools**

#### **Secondary schools**

The number and types of staff involved in SEN support in schools varied across schools and across LEAs. Although there seemed to be some links between LEA policy and funding arrangements and the ways in which schools responded, these were not consistent. For example, of the two comprehensive schools in London 1, one (school A) had a well-established SEN faculty, with five full-time teachers – one on a CPS+4, who was head of faculty and SENCO, a deputy on CPS+3, an EAL teacher on CPS+2 and two main-scale teachers. The head of faculty was at the same level as other heads of faculty in the school. At the other school (school B), a new structure with a head of pupil progress, who, in turn was answerable to a senior

teacher for pupil progress, and a separate post for the SENCO had recently been established. The head of department had management responsibility for the SEN staff and the SENCO dealt with the administration.

Both schools saw the link between SEN and AEN. At school B, there was a sense that social deprivation was an explanation for poor achievement or learning difficulties, and the school was putting resources into dealing with this (i.e. for a counsellor and an outreach worker). The emphasis at school A was on achievement: individual pupils across the ability range were set targets which were monitored by form tutors. So, in this school, SEN was not seen as an issue separate from general student achievement.

In London 2, one of the non-selective secondary schools (school C) used a banding system for grouping pupils in Y7-9. Pupils with VR scores below 85 on 11+ tests were placed in smaller classes (around 25 as compared to 30 in bands 1 and 2), and each band 3 class was allocated an extra teacher during classes for academic subjects (English, maths, history, geography, French and RE) so for each class of 25 pupils there would be two teachers. The role of these teachers was to support pupils in the classroom, to work with small groups outside the classroom, or to team-teach whole classes. Funding for the component of a teacher's time used in this way came out of the SEN funding. Extra support for pupils on Stages 3 and above of the Code of Practice was also available through LSAs or more focused teacher time. Thus, quite a considerable amount of the school's resources was focused on lower-ability pupils.

In the other school (school D), the SENCO reported that the sole resource for pupils with SEN in this school of over 1,300 pupils was herself, a 0.7 teacher who operated rather like an old-fashioned 'remedial' teacher and the team of LSAs, most of whom were allocated to pupils with statements. The strategy of the school was to attempt to raise attainment by focusing on the more able children, and the SENCO felt that the less able were not having their needs met.

The selective system in London 2 was perpetuated within the secondary schools, where pupils were banded according to their performance on the 11+ tests. However, the status of SEN and the priority given to it by the two schools were markedly different.

At secondary level in the metropolitan LEAs, there were also contrasting approaches in terms of the commitment of resources and time to pupils with SEN. In Metro 1, one secondary school (school E) received only 0.7 per cent of its budget as SEN funding (calculated on the basis of FSM) but had 3.7 full-time equivalent (fte) teachers, 2.7 fte of whom were allocated centrally from the learning support service. The other comprehensive school from Metro 1 in the sample contained a special unit and received 4.7 per cent of its budget for SEN and employed 1.7 fte teachers in mainstream and one full-time teacher (supplied by the learning support service) in the resourced unit. Thus, in Metro 1, responsibility and funding for SEN were divided between the schools and the LEA.



In County 2, there appeared to be a similar approach by the two secondary schools, both of which had been rated by OFSTED as being effective in their approach to SEN. These were small schools (between 600 and 700 pupils) with similar proportions of pupils with SEN. However, as one school had a resourced unit, and therefore a larger number of pupils with more severe needs, it was funded at a higher level. The funding was part of the school's delegated budget, and the school took full responsibility for the support of those pupils. The school Annual Report to Governors reflects this attitude towards pupils with SEN:

*Equality of opportunity is a central part of our school's values. We are determined that all educational opportunities are available to all students regardless of the level of learning support required. To this end, we ensure that all aspects of our curriculum are available to all students and we ensure that all students access the curriculum at an appropriate level.*

*Specific learning support is the role of every member of our staff. While we recognise that much of the detailed and specific learning support is the role of our learning support team, we acknowledge that all members of staff have a role to play in ensuring that students fulfil their potential.*

Both schools in County 2 appeared to reflect the LEA's policy of greater inclusion of pupils with SEN, since support was generally given within the mainstream class and pupils with SEN were not separated out from their peers.

### **Primary schools**

The SENCO role in primary schools appeared to be less important than that in secondary. In some of the primary schools in the NFER sample, the SENCO was a class teacher who had half a day per week for the SENCO role. In the metropolitan authorities, the SENCO had a full-time class teacher role and was given a small amount of time for SENCO responsibilities. This was also the case in County 2. However, in County 1, each primary school employed a part-time SENCO (0.5 and 0.8 fte respectively) whose sole job was to undertake that role. In the London schools, which tended to be larger, the SENCO role was given more prominence and time. In a very large primary in London 1, with almost 900 pupils, there was a 'co-SENCO' who had specialist teaching role for SEN. In the London 2 primary schools, the SENCOs had more time than those in the metropolitan schools – one was full-time and the other three days per week to undertake the responsibilities.

There was variation in the primary schools in the amount of resources made available to support pupils with SEN. In part, this was due to the ways in which the LEAs funded SEN in their primary schools. In the Metro 1, there was no separate allocation of funding for SEN – schools were expected to meet lower-level needs from their base budgets. No notional SEN funding was allocated. Support might be made available at Level 3 of the Code of Practice for some pupils. These schools tended not to employ LSA support for pupils with SEN, specifically, as was the practice in the other LEAs.

## 6.4 Monitoring and evaluating the use of resources

Schools varied in the extent to which they were monitoring and evaluating the effectiveness of their SEN provision. This appeared to be an individual school decision, rather than one prompted by the LEA, although London 1 had recently introduced a detailed form which was sent out to schools, informing them about the amounts they were receiving through each element of the funding formula for SEN and AEN and how they might be expected to use this funding, and asking them to account for its use. The other LEAs in the sample had not introduced such a detailed monitoring procedure at the time of the research. Indeed, London 2 maintained that it was not possible for LEAs to suggest to schools how they might use any part of their delegated budgets, since this would be unwarranted interference in schools' affairs.

Some schools, however, had introduced their own systems of monitoring the effectiveness of their provision. For example, one primary school in London 2, which had 27 per cent of pupils with SEN and a high pupil mobility, nevertheless tracked every pupil with special needs and allocated a high level of resource in terms of teacher and trained LSA time to pupils with SEN. This school measured its outcomes not only in terms of pupils moving from higher to lower stages of the Code of Practice but also in terms of high performance at end of key stage 2 assessment. Pupils were entering the school with baseline scores well below national norms and leaving with scores well above national norms. These are generalised scores but give an indication of the overall effectiveness of the school in terms of its deployment of resources. This school, in contrast to the other primary school in London 2, used a broad definition of special educational needs which included emotional and behavioural difficulties. In this sense, it was not in tune with the LEA, which, through its funding policies, focused almost exclusively on cognitive measures. However, this school's view, as expressed by the deputy head, was:

*As a deputy headteacher, I'm very happy when I look at the results the children have achieved this year. When I look at the results at key stage 2 and I think of the number of children there are who are still on the Register, you know I think it shows the work that's gone in throughout the school for those children and it validates what we've done here. It validates how we've spent it; it validates what [SENCO] and her team have done and it validates the whole ethos of the school in taking that holistic approach that I talked about and working, you know, developing the whole child and not sort of focusing narrowly.*

It was noticeable that some schools, both at primary and secondary level, perceived pupils with SEN as part of the spectrum of pupils within their roll rather than as a separate group for whom special provision had to be made. They operated the same standards for monitoring and evaluating the provision made for these pupils as they did for others. They allocated resources to meet the needs they identified and used those resources efficiently to get the best possible outcomes for the pupils.

## 6.5 Accounting for differences in approach

How far, then, do an LEA's policies and funding arrangements influence the ways in which schools deploy and monitor SEN resources? There were some crucial differences between the LEAs chosen as case studies which set the parameters within which the schools operated. For example, the retention of large specialist teaching and support services by LEAs led to a situation, in some schools, where there were no resources available to support lower levels of need. Schools in this position did not generally provide in-class support for pupils with SEN. In LEAs which had selective systems at secondary level, there was a greater tendency to group pupils by ability. The presence of grammar schools also resulted in a concentration of pupils with special educational needs in a smaller number of schools in the LEA, and in a higher weighting of overall school funding to secondary schools, with consequences for primary schools and for the availability of funding for SEN and AEN.

The stance of the LEA towards intervention in schools was another striking factor. Some LEAs took a 'hands off' approach and did not require schools to account for their use of SEN funding. Others were more proactive in suggesting ways in which SEN and AEN funding could be used and in requiring schools to make a return to the LEA to account for their spending.

LEAs which were moving towards a more inclusive approach to SEN support were tending to delegate more funding to schools, but also being more explicit about the criteria they were using to allocate funds. Thus, in County 2, a new method of funding more severe special needs had been introduced, and the LEA had made a great effort to communicate the reasons for the change and to be explicit about which pupils were to be supported. Schools seemed to have responded by being more willing to use the support in the classroom, rather than to provide separately for pupils with more severe needs.

Having said that, the deciding factors in how schools responded to pupils with SEN and AEN were still the culture and priorities of the school. In each of the NFER pairs of schools, one seemed to be more effective than the other in meeting needs. In some cases, this was due to the effectiveness and level of expertise of the SENCO. In others, where a 'whole-school' approach was encouraged, all staff were expected to be involved in supporting pupils with SEN, and outcomes for these pupils were given the same priority as outcomes for more able pupils. There was a willingness in such schools to see SEN funding as part of the whole pot of money coming into the school and to use the funding in the most effective way to meet needs. Special educational needs were not seen as separate from emotional needs or from the learning needs of more able pupils: they were part of a spectrum of needs of pupils within the schools.

The research suggests that national and local policies on the organisation and funding of support for pupils with additional and special needs in

mainstream schools provide an important framework within which schools must operate. However, as schools in similar circumstances in the same LEA differ markedly in the ways in which they choose to allocate resources and organise support for special educational needs, it is clear that the priorities and the effectiveness of individual mainstream schools are crucial deciding factors as regards the deployment of resources nominally for special education. This would support the theoretical position that supports the allocation of resources to the point nearest the pupil (see Meijer, 1999).

## **6.6 Defining and measuring outcomes**

One area where it was difficult to obtain any useful data was that of defining and measuring outcomes for pupils as a result of the allocation of extra resources within LEAs and schools. Schools did not generally attempt to link directly the amount of resource allocated with specific targets and outcomes. There were, of course, targets and measured outcomes for individuals recorded in Individual Education Plans (IEPs), and these were used for planning individual programmes for pupils, but these data were not generally collated and used at a strategic level to assess whether resources were being used effectively in the school. At the LEA level, London 1 had been addressing the question of whether the large amounts of funding currently being allocated to special educational needs were succeeding in raising educational standards in the LEA's schools but had not produced a definitive answer. This was, perhaps, because LEAs and schools were not clear about what outcomes they were seeking as a result of the input of extra resources. Some schools and LEAs were implicitly taking a broad view and allocating SEN resources to support social, emotional and behavioural as well as learning needs. Others were more focused on cognitive and sensory or physical needs. Thus, depending on the definitions of special and additional needs used by LEAs and schools, different outcomes would need to be measured.

This is unsurprising, given the lack of consensus about the measurement of progress in pupils with special educational needs, particularly those with learning difficulties and emotional and behavioural difficulties. The inadequacy of the national assessment framework to assess pupils 'making small steps of progress in the National Curriculum' was recognised in a project commissioned by the School Curriculum and Assessment Authority in the mid-90s (Fletcher-Campbell and Lee, 1995) and, equally, the limitations of school target setting with respect to these pupils was recognised by the Department for Education and Employment at the end of the 1990s (DfEE, 1998b). The generation of the 'P' scales, originally at the NFER and later refined by QCA (2001), has laid the foundations for mapping the progress of pupils working at the lower levels of the National Curriculum through all the key stages, and scales relating to 'progress' for pupils with emotional and behavioural difficulties were, at the time of the research, in the process of development. When datasets are sufficiently extensive, inter-school and LEA comparisons may be possible. However, there is still

considerable debate among practitioners about the desirability and viability of comparing progress within such a heterogeneous cohort (see, for example, Byers, 2001). Even if there were national agreement regarding output measures, there would remain a further challenge to relate these to resource inputs, particularly in the light of the fact that the same budget can be put to very different uses and there is the intervening variable of quality of the intervention made.

Recent European research on the financing of special education (Meijer, 1999) suggests that the allocation of resources by output – that is, rewarding schools for good performance and for effective interventions for pupils with special educational needs which lead to greater pupil progress – is a model that remains at the level of theory and has not been implemented.

## **7. CONCLUSIONS**

### **7.1 AEN and SEN funding – the national picture**

The picture that emerges from the analysis of the Section 52 statements and other national statistics is one of local and regional diversity. There are no clear trends based on size, location, geographical or social circumstances which account for the range of policies and practices regarding AEN and SEN funding. Local authorities which appear to be operating in similar circumstances use very different approaches to funding and supporting pupils with special educational needs. Policies and practices appear to be very localised, with close regional neighbours using different methods to allocate resources.

These differences are exacerbated by a national system of funding education through SSAs which leaves LEAs in similar circumstances with different levels of funding for their pupil population. Regional differences in grant allocations are one reason for this national diversity.

However, a more powerful explanatory factor for diversity appears to be the local historical and political context of each LEA. It is rare to find zero-based budgeting approaches used to review the objectives and efficacy of the mixture of funding and resources allocated to schools to meet special and additional educational needs. Some LEAs which have experienced a recent change in political control have moved to change their funding priorities in the direction of that favoured by the new ruling party, but moves of this kind have tended to be cautious and incremental rather than fundamental.

### **7.2 AEN and SEN funding – LEA examples**

The points made above were exemplified by the six LEAs chosen as case studies. The different approaches to AEN and SEN funding were due in part to a number of historical factors and social circumstances. In some of the LEAs, there was a view expressed by officers and members that the ways in which funding was allocated to schools and the balance between delegated and centrally retained funding and support, could be used to drive policy in certain directions. In two of the LEAs (County 2 and London 1), there had been recent radical changes to the funding mechanism, so that more funds would go into schools to achieve particular policy aims of the LEA – in London 1, to allocate more funds to the more socially deprived schools in the borough and in County 2, to direct funds to schools with pupils with more severe special educational needs, and thus promote greater inclusion.

For some of the LEAs, the funding methods were clearly designed to have an impact on changing policy and practice in schools while in others, however, they were designed to preserve the status quo.

It was clear that the methods used to allocate resources had different effects. It appeared that funding mechanisms based on tests of cognitive ability had more consistent results than those based on a combination of factors, including measures of social deprivation. The rationales offered for the choice of methods used were based, in some LEAs, on a broad conceptualisation of the links between social deprivation and special needs, and on the perception that funding social needs was a clear priority; and, in others, on a more limited conceptualisation of special needs as cognitive concerned with supporting schools and pupils in areas of high social stress while in others this was not seen as a priority.

### **7.3 Schools' responses**

In LEAs which had an overt policy focus on SEN and AEN, there was a clear link between LEA policies and funding methods and the ways in which schools approached the issue of supporting pupils through use of funding and other resources. In those LEAs in which AEN and SEN were less of a policy priority, there was a less clear reflection of LEA policy at the school level. In LEAs where the purposes of SEN and AEN funding were made explicit, and where systems were in place to ensure that schools were aware of the LEA's position, there was, perhaps unsurprisingly, more consistency in approach at the school level.

However, schools still differed in their use of resources nominally delegated for special educational needs, often on account of school management and organisation, the targets that they were setting themselves, and the priorities in their development plan. What the research suggested was that analysis of the relationship between resource input and pupil progress was undeveloped and unsystematic at both school and local authority level.

### **7.4 Lessons to be learnt**

The research revealed that the considerable variation nationally as regards the funding of special and additional needs, noted in earlier studies, has been maintained and is as great as it was at the inception of local management, even though authorities' individual profiles may have shifted radically. This reflects the patterns internationally, where, again, there is tremendous inter and intra-national diversity (Meijer, 1999). However, what both the NFER and European studies show is the importance of policy makers first, abiding by methodological criteria; second, scrutinising the effects of resource allocation and identifying incentives and perverse incentives; and third, debating what priority should be given to various strands of policy.

### **7.4.1 Methodological criteria**

There was evidence that the basic tenets of local management, established at its implementation and reinforced by Fair Funding, must be applied to funding formula for special and additional needs. However, there was evidence that some principles were more easily applied than others: those related to accountability and value for money were most in need of developmental work.

The criterion of transparency, established with local management and reinforced by other work on necessary conditions for funding special education (see the work of Parrish (1995) in the US), is still not effectively realised: schools that are unclear about what is expected of them cannot be censured for inappropriate use of the money allocated. If the schools themselves are involved in the process of clarification – that is, the LEA policy is grounded in feedback from, and communication with, practitioners – so that expectations are ‘shared’, then it is more likely that they will follow the direction indicated by the local authority.

### **7.4.2 Incentives**

The research data suggested the way in which resource allocation mechanisms could encourage or discourage schools from engaging in strategic behaviour promoting their own ends. For example, a discrete audit can encourage careful identification of individuals’ needs; while a global sum based on aggregated indicators can encourage a whole-school response; and the allocation of budgets to individual pupils so that they can secure provision in different locations can encourage greater diversification in placements. Equally, the allocation of substantial units of resource with respect to more significant needs is a rational theory but may encourage schools to exaggerate pupils’ difficulties and fail to withdraw additional support when a pupil might be able to be more independent.

### **7.4.3 Priorities**

Priorities need to be discussed as different resource allocation mechanisms may be judged on different criteria. The NFER research indicated how different mechanisms might encourage different degrees of inclusion. But inclusion is only one policy direction amongst many and it may, for example, conflict with a desire for cost effectiveness: it may be more cost effective to consolidate therapies on one site – perhaps a special school – than to deliver them in a range of sites depending on parental preferences for school placements.



## 7.5 The influence of budget allocation on practice

The fact that there can be competing priorities for resource allocation for special and additional needs highlights the importance of professional dialogue regarding best use of available resources and the development of professional practice alongside developments in the techniques of allocation. The fact that cost effectiveness may be the overriding priority for one particular authority represents a challenge, rather than an inhibitor, to practitioners. For example, it does not necessarily mean that speech therapy needs to be delivered – most economically – on one site, therefore saving resources in terms of travelling time and costs but reducing choice of school placement for pupils who need speech therapy. If speech therapy is perceived as something which is facilitated, rather than delivered, by a specialist then expertise can be dispersed over a range of sites at no greater costs (speech therapists working with teachers and learning support assistants to put in place appropriate programmes rather than working one-to-one with pupils themselves). This is just an example – there are many others – but it focuses attention, primarily, on curricular aims and objectives and, secondarily, on utilising resources as effectively as possible to achieve these.

While there is international interest in the way that budget allocation for special education can influence practice (see Meijer, 1999), it is yet important that sight is not lost of the way that a clear direction for practice can dictate the use of budgets. It may be that once there is greater clarity about curricular aims and objectives for pupils with special educational needs and greater accuracy as regards target setting in the light of rigorous and informative comparable data, then the emergent practice will be a major force in suggesting how budgets should be allocated.

Meanwhile, the challenge for those responsible for allocation at the local authority level is to identify effective practice and positive outcomes with regard to special education within the authority's schools and then decide how best to allocate available resources in order, on the one hand, to reward and maintain that practice and, on the other, to encourage other schools to enhance their own practice accordingly. The means of doing this may well differ according to local circumstances. But this is not merely propping up the status quo – i.e. the regional variations which, in many cases, predate local management. Rather, it is properly allowing the ends (the meeting of pupils' needs) to manipulate the means (the resource allocation mechanisms). This restores the focus to where, arguably, it should rest and returns to one of the original challenges, identified at the beginning of this report, regarding the local authority's responsibility to ensure equity.

It is suggested that groups of authorities (perhaps within Special Educational Needs Regional Partnerships) might like to develop self-assessment/audit instruments which they could apply to the structure and perceived outcomes of their funding mechanisms. While there is no blueprint for funding structures and it is not inconceivable that equity nationally could best flow

from a range of such locally sensitive structures across local authorities, there can be a common approach to the analysis and evaluation of these structures. The NFER research suggests that, now scrutiny has revealed the lack of consistent patterns among LEA funding formulae, attention might usefully turn to qualitative and professional issues regarding provision for pupils and then to amending funding mechanisms to support these.

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