
HIGH NEEDS FUNDING

Purpose of Report

1. To provide School Forum with a brief outline of the proposed changes to Education funding.

Background

2. The Department for Education launched two consultations regarding funding on 7th March 2016. The first titled “Schools national funding formula” concerns the schools budget the second titled “High needs funding formula and other reforms” concerns the funding of pupils with special education needs.
3. Both consultations are stage one, with a second stage due out later in the year. Both consultations finished on 17th April.

High Needs formula

4. The first phase of the high needs funding formula consultation is seeking views on,
 - The overall design of the formula (Principles)
 - Whether the formula factors are appropriate (Factors)
 - How the formula should be phased in (Transition)
 - The ways in which authorities might be helped to address cost pressures they face
5. The second phase of the consultation will set out detailed proposals for factor weightings, the impact for local authorities and how year on year changes to funding will be phased through transitional protection.

The Principles

6. It is proposed that the reforms of high needs funding will be underpinned by the following principles,
 - That supports opportunity
 - That is fair
 - That is efficient
 - That gets funding to the front line
 - That is transparent
 - That is simple
 - That is predictable
7. It is proposed that as with current high needs funding that the vast majority of funding will continue to be distributed to Local Authorities rather than direct to schools.

8. It is not proposed to link high needs funding to the number of statements of SEN or EHC plans which Local Authorities have issued, as this may create perverse incentives to identify a higher level of need amongst children. It is proposed that a high needs funding formula will be based on proxy measures of need, not the assessed need of children.
9. The high needs block will also include expenditure on SEN transport.

The Factors

10. From April 2017 the High Needs block will be calculated using a formula. This is a change from the current system where the high needs block was calculated based on historic information. The DfE considered a number of methods of allocating funding through a formula, the consultation proposes a formula that uses factors as follows,
 - Low attainment factors, based on pupils not achieving level 2 in reading at the end of key stage 2 and pupils not achieving 5 A*- G GCSE's at key stage 4 or equivalent.
 - Health and disability, based on the “children not in good health” population census data and Disability Living Allowance data.
 - Deprivation, based on pupil’s eligibility to Free School Meals and the IDACI measure
 - Population factor, based on the number of children and young people in the age 2 to 18 bracket from ONS data. This will allow for increases in population from year to year.
 - Basic pupil/student entitlement for each child or young person in a special school, special academy or special post 16 institution that is funded through the high needs block.
 - Net adjustments for export/imports, to reflect cross boarder placements between local authorities.
 - Area cost adjustment, based on the general labour market/relative cost of teachers in an area.
11. Alternative provision funding is proposed to be allocated through the population and deprivation factors.
12. Hospital provision, funding is proposed to be continued to be distributed based on current spend.

Transition

13. As the majority of spend through the high needs block is for education provision for individual pupils and students that can be in place for a number of years, sudden changes to funding could result in disruptive changes to pupils. The consultation therefore

proposes to include an element of current spend in the high needs formula based on spend in 2016/17 for at least the next five years. This is designed to give Local Authorities time to plan infrastructure and other changes to provision to minimise disruption to provision.

14. There will be a minimum funding guarantee which would see Local Authority high needs block not reduce by more than a certain percentage during this period. This would be paid for, by capping/damping areas with gains in their high needs block.

Review and Development of High Needs provision

15. For some Local Authority areas there will be a decrease in funding within the high needs block, and there will no longer be the opportunity to move funding into the high needs block from the schools block. There will therefore be a need to take steps to manage provision without adversely affecting the existing pupils with high needs or the quality of future provision.
16. To help Local Authorities and institutions, the consultation proposes the following help,
 - To provide capital funding for the creation of new special schools through the free school programme
 - To make available capital funding for the expansion of existing SEN provision
 - To promote collaborative working between Local Authorities
 - To share examples of funding approaches that encourage schools and colleges to include pupils with SEN
 - To help institutions ensure that they are as efficient as possible.

High Needs Funding for Schools

17. The consultation proposes no changes to funding for schools as follows,
 - No changes to the way special schools and special academies are funded for pupils with SEN/Disabilities and the places they need.
 - No changes to top up funding from the commissioning local authority, paid to any school or academy for individual pupils/students with high level SEN to reflect additional support
 - No change to the flexibility that Local Authorities have to retain funding to encourage mainstream school inclusion
 - No change to the notional SEN budget
 - No changes to local arrangements for alternative provision
18. The consultation proposes the following changes to funding that supports schools.
 - To simplify the mainstream schools funding formula by including pupils in special units in the schools pupil count, so they attract per pupil funding and £6,000 place funding
 - To give independent schools on the section 41 list the opportunity to receive place funding directly from the EFA at a rate of £10,000 with top up funding coming from the Local Authority

High Needs Funding for Post 16 Providers

19. The consultation proposes

- That specialist provision that has been developed by FE colleges for significant numbers of students with high level SEN should be identified by reference to the number or proportion of such students in the college. There would be no change to the funding formula of these units.
- To explore the role of Local Authorities in designating such units
- To consider further, and consult later on how the post 16 funding formula would work for mainstream post 16 providers with small numbers of high needs students
- That special post 16 institutions receive a flat rate £10,000 per place. Later consultation will consider the impact of these changes.

What this means for Darlington

20. At this stage as no unit values have been given for the factors within the proposed funding formula it cannot be ascertained if the high needs block for Darlington will be more or less than under the current historic funding system. This will not be known until later in the year when allocations are released by the DfE.
21. It is clear however that the historic spend in Darlington was significantly more than the value of the historic high needs block and required a move of funds from the schools block. Under the new proposals there will no longer be an opportunity to move funds between the blocks hence the high needs block will be a finite resource.
22. The new formula for high needs has a factor that considers spend in 2016/17 and protects this for five years. Therefore if the new formula does provide Darlington with a lower high needs block there will be some protection, however as yet this level of protection has not been disclosed. As this protection is tapered and time limited there would be a requirement to reduce expenditure should the high needs block be less (than current) to ensure that once protection has ended that sufficient funding is available.
23. All expenditure funded from the high needs block will need to be reviewed in the future in line with the resources available. This may mean that some of the services that are currently provided may need to cease, or that the level of funding provided for a service or SEN banding amounts may need to be reviewed and possibly reduced.
24. Schools with a Resource Base will no longer have the number of places available deducted from their school budget share. This will mean that the school budget share will increase as it will be funding all pupils on role. The place funding for the unit will however decrease to £6,000 per pupil per year.

Summary

25. Although the consultation provides detail on the principles of future years funding, at this stage is it difficult to quantify exactly what this means for Darlington schools and the Local Authority.
26. A timescale has not been set for the issue of the second consultation however it is assumed that this will be released in the summer. This second consultation should give the ability to inform Forum in more detail, the impact of the changes in Darlington.
27. Forum will be updated at their next meeting.

Recommendations

28. That Forum notes the content of this report

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