



Subject Heading:

High Needs National Funding Formula

Report Author:

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Eligibility to vote:

All members

SUMMARY

In December 2016 the DFE launched the second stage consultation on changes to the funding of schools and high needs. This followed the first stage consultations in March. The revised funding arrangements for high needs are to be introduced from 2018-19. The deadline for responses to the consultation is 22nd March 2017 and it is intended to consider a full response at the next meeting of the Schools Funding Forum.

RECOMMENDATIONS

To consider the impact of the proposals on high needs funding, and arrangements for wider consultation with head teachers and governors to inform a response to the consultation.

REPORT DETAIL

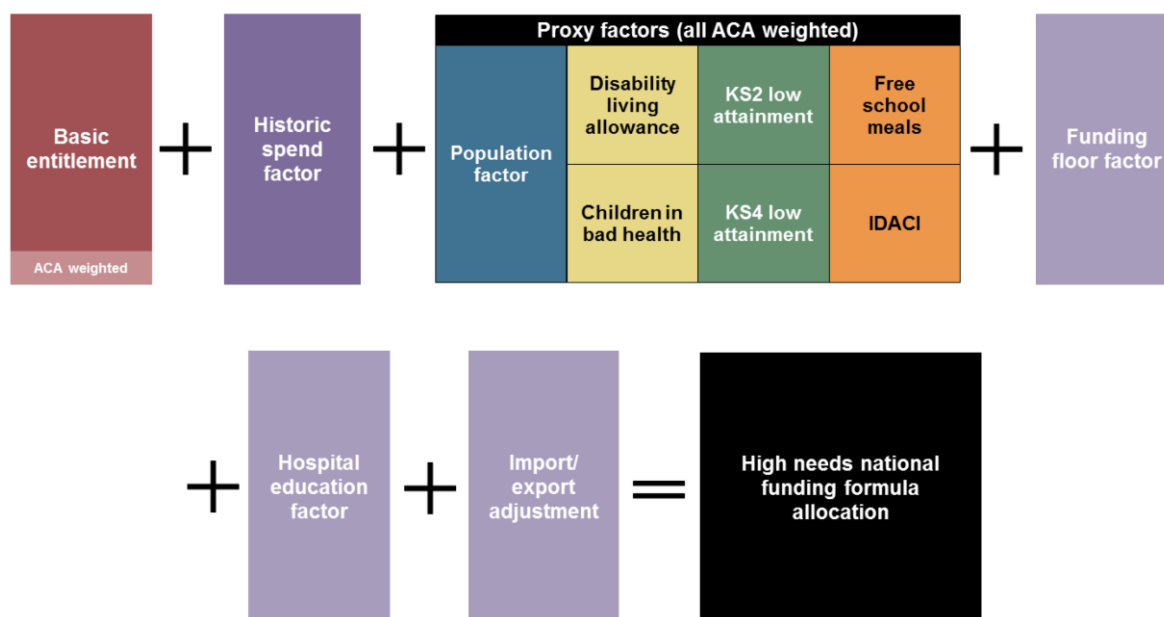
1. Introduction

On 14th December, the Government issued the second stage of the consultation on a national funding formula for high needs. The deadline for responses is 22nd March 2017.

The intention is to introduce a national formula for high needs that will allocate funding to local authorities on a more transparent and equitable basis. The proposed building blocks and factors in the new formula are set out in the table below:

Formula factors		Other formula factors and adjustments
Basic entitlement: basic unit of funding for pupils and students in specialist SEN institutions		Area cost adjustments (ACA)
Population factor		
Health and disability factors:	Disability living allowance	Import/export adjustments
	Children in bad health	
Low attainment factors:	Key stage 2 low attainment	Funding floor factor
	Key stage 4 low attainment	
Deprivation factors:	Free school meals	Hospital education factor
	IDACI	
Historic spend factor		

The basic steps that will be taken in the formula calculations are shown in the table below. An area cost adjustment will be applied to the proxy factors and basic entitlement. The proposed relative weightings of each factor are part of the consultation.



Note: These proportions are derived from the totals of local authorities' planned expenditure figures as reported in their section 251 2016-17 budget statements: Education Funding Agency, 'Section 251: 2016 to 2017', updated December 2016.

2. Formula factors

2.1 Historic spending

The move to a formulaic distribution of funding is not intended to create undue and unmanageable turbulence. Sufficient stability is one of the core principles of funding reform and an historic spend factor will therefore be incorporated in the formula as a cash sum from local authorities' baseline information. It is proposed to calculate the cash sum for each local authority at 50% of this baseline amount. This means that about half of the total high needs allocations would be allocated according to existing spending patterns. The overall funding for this factor would amount to £2.5 billion. Funding for hospital education will also be allocated to local authorities on the basis of historic spending. The overall amount through the formula will be £73 million.

A funding floor is intended to ensure that the current level of provision in local authorities for children and young people with high needs is protected.

2.2 Remaining funding formula factors

There will be a flat rate per pupil in a special school or special post 16 institution to mirror what mainstream schools receive through the schools national funding formula for their pupils with high needs, and all institutions receive through the post 16 formula. It is proposed to use a simple standard amount such as the base entitlement in the 16-19 formula which is £4,000 per pupil. Responses to the first stage of the consultation suggested that the place value should be £10,000, but it is proposed that within the new formula, the additional £6,000 would come through the historical spend factor and formula factors described later in this report. The £4,000 basic entitlement would be calculated on the basis of the school census

and individualised learner record (ILR) data from the academic year prior to the December in which the high needs allocations are calculated. So, for 2018-19 DSG, the data would be used from the January 2017 school census and, for post 16 institutions, the final ILR return for the 2016-17 academic year. Data would also be added from the alternative provision census and the number of pupils placed in independent special schools. This element of high needs funding amounts to £470 million.

The remainder of the high needs block (£2.5 billion) would be distributed through the remaining formula factors according to the proposed weightings set out in the table below:

High needs national funding formula factor weightings

Formula factor	Proposed weightings			Data we have used for illustrative allocations
	SEN (90%)	AP (10%)	Com-bined	
1. Population	50%	50%	50%	Latest population aged 2-18 projection for 2018 from the Office for National Statistics (ONS)
2. Deprivation				
a. Free school meals (FSM) eligibility	8.3%	25%	10%	Number of children eligible for FSM
b. Income deprivation affecting children index (IDACI)	8.3%	25%	10%	Number of children in bands A-F from 2014 ONS population estimates
3. Low attainment				
a. Key stage 2 (KS2) results	8.3%	0%	7.5%	Number of children not achieving level 3 or above in KS2 tests in 2011-15
b. Key stage 4 results	8.3%	0%	7.5%	Number of children not achieving 5+ A* to G GCSEs in 2011-15
4. Health and disability				
a. Children in bad health	8.3%	0%	7.5%	Number of children and young people declared as in bad or very bad health in the 2011 census
b. Disability living allowance (DLA)	8.3%	0%	7.5%	Number of children aged 0-15 for whom parents receive DLA

2.3 Population factor

Distributing funding by reference to the population of children and young people resident in the local authority reflects that in every given population, there will be a proportion of those with high needs. It is assumed that the national incidence of pupils with statements of SEN and EHC Plans of 2.8% is a reasonable approximation for the incidence of high needs across the country. To reflect the association between population and high needs it is proposed that the population factor weighting is set at 50%. £1.3 billion would be allocated through this factor.

2.4 Deprivation, low attainment, health and disability factors

Deprivation

It has been taken into account that 10% of high needs funding is spent on alternative provision and that deprivation is closely correlated to the need for alternative provision as a result of school exclusions. The other factors in the formula do not display any significant correlation to the need for alternative provision. It is therefore proposed to give more weighting to the deprivation factor, accounting for 20% of the amount allocated through the population and other proxy factors. The funds distributed using deprivation factors will be £510 million. The deprivation factor will comprise two equally weighted indicators. The first is free school meals (FSM) eligibility and the second is area level deprivation measured by IDACI through the 6 IDACI bands.

Low Attainment

It is proposed to allocate 15% through low attainment data at KS2 and KS4 with equal weighting given to each. This will allocate £380 million.

Health and Disability

It is proposed to allocate 15% through these factors, with half allocated on the basis of the children in bad health from the 2011 population census, and half using the latest disability living allowance data. This would allocate £380 million.

2.5 Adjustments to reflect geographical costs, cross-border placements and the funding floor

Area Cost Adjustment

An area cost adjustment is to be applied to all the factors in the formula except those based on historic spending, hospital education funding and the import/export adjustments. The area cost adjustment equates to an increase of up to 20.4% for local authorities where schools face the highest salary costs.

Import/Export Adjustment

The adjustment will be the net difference in pupil and student numbers multiplied by £6000 resulting in an increase for the importing local authorities and decrease for the exporting local authorities.

Funding floor adjustment

This will be set so that no authority sees a reduction compared to their spending baseline.

2.6 Funding increases under the high needs formula

The additional funding available in 2018-19 and 2019-20 will be used to make sure that all local authorities due to gain funding under the formula will see an increase. To remain affordable, gains will be allowed for up to 3% per year. The 3% limit will allow the majority of authorities to reach their formula allocation within the first two years.

LA grouping		High needs formula		
	No. of LAs	Number (%) of LAs gaining	Largest % gain*	Total gains
Inner London	13	5 (38%)	4.7%	£3m
Outer London	19	5 (26%)	19.7%	£10m
East Midlands	9	3 (33%)	22.9%	£17m
South East	19	5 (26%)	19.3%	£16m
Yorkshire and the Humber	15	13 (87%)	20.0%	£49m
North West	23	13 (57%)	17.6%	£26m
South West	15	4 (27%)	11.3%	£5m
East of England	11	6 (55%)	12.7%	£20m
West Midlands	14	11 (79%)	12.4%	£36m
North East	12	7 (58%)	19.0%	£8m

* Above gains baseline

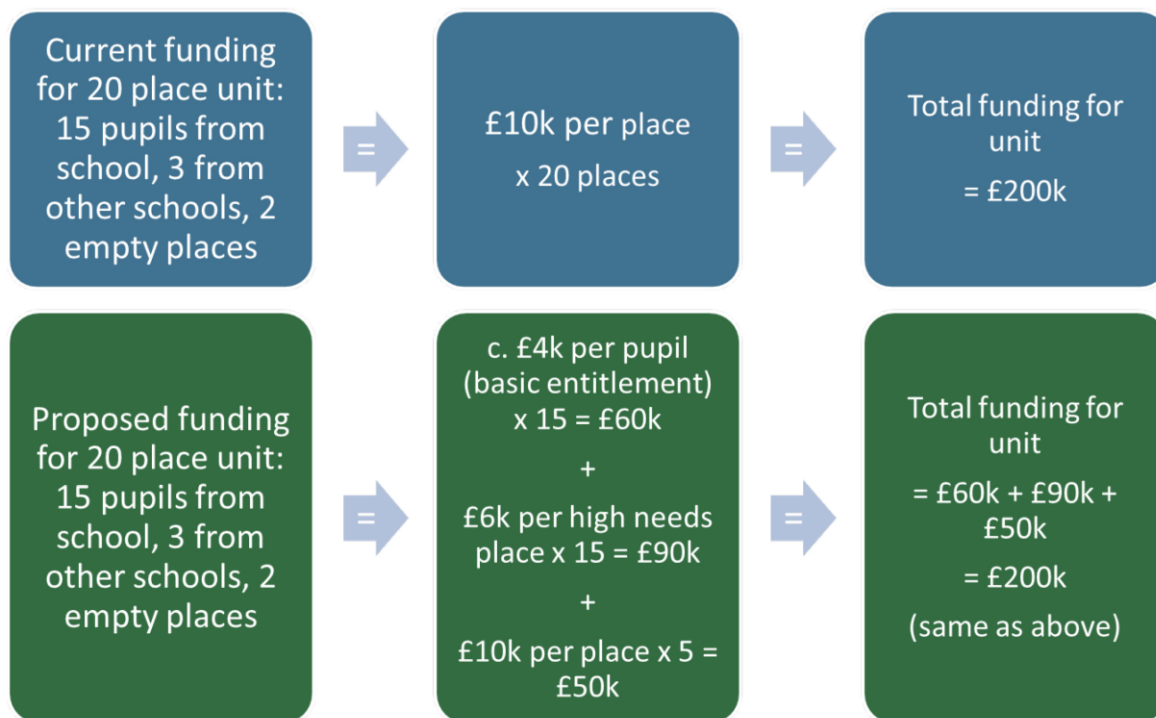
2.7 Local flexibility in the funding arrangements

Local authorities can continue to use funds from their high needs budgets to support mainstream schools that are particularly inclusive, as well as expanding special schools or units. There will be no ring-fence on the schools block in 2017-18 so local authorities are able to transfer funding between their schools and high needs budgets. In 2018-19 and subsequent years there will be no restrictions on the transfer of funding between the high needs block, the central schools block and the elements of early years funding that local authorities are allowed to retain for central spending. It will also remain possible for local authorities to transfer funds into their high needs budgets from sources other than their DSG allocation. It is proposed that in 2018-19 there will be an opportunity for local authorities to transfer funds from the funding that schools are due to receive through the schools formula to their high needs budget. This will be dependent on the agreement of their schools forum and a majority of primary and/or secondary schools and academies (with transfers confined to the primary and secondary elements of the schools block as agreed by phase). A limit on the transfers of say 2% or 3% of the high needs block allocation is to be considered.

It is proposed to provide a mechanism whereby schools could agree with their local authority to pool some funding that could then be directed towards those schools that need it most for their pupils with SEN, both more inclusive mainstream provision, and special provision. This local budget could be created by a small charge on each school's budget which, together with funding from the high needs budget, would deliver support to children and young people with high needs regardless of where they are placed. These local flexibilities could present opportunities for schools to demonstrate how, in partnership with the local authority, they are discharging their responsibilities for meeting the needs of all children and young people with SEN and disabilities. Local decisions are best taken by schools working collectively across a local authority and in the context of the local authority's overall strategy for making special and alternative provision.

2.8 Funding of special units and resourced provision

At present these units are funded by the local authority (if they are a maintained school) or the EFA (if they are an academy) on the basis of £10,000 per place with the place number deducted from the pupil number used for the rest of the school's mainstream funding through the local formula to avoid double counting. From 2018-19 this deduction will not be made. Instead the school's budget share will be determined on the basis of the full number of pupils on the roll of the school including those in the special unit or resourced provision. The balance of funding will come from the place funding at £6,000 per place. In the first stage consultation there were concerns that the proposed change would disadvantage schools accepting pupils into their units in-year or from other schools because these would not be on the relevant school census count used to determine the school's mainstream funding. A change in to the original proposal is that places occupied by pupils on the roll of the school at the time of the school census return are funded at £6,000 per place, but places not filled are still funded at £10,000.



2.9 Special school funding

Special schools will continue to receive place funding at £10,000 per place with the rest of their budgets made up from local authorities' top-up funding. The EFA will continue to have a process by which local authorities provide information about those places to be funded in special academies. The funding for those places will then be deducted from local authorities' high needs allocations before the DSG is finalised and paid by the EFA to special academies directly. The DfE will be reviewing the funding arrangements for special free schools which are currently funded directly without recoupment from local authorities' DSG.

2.10 Non-maintained and independent special schools

The current arrangements will continue in that the place funding of £10,000 per place for non-maintained special schools on the basis of pupil number data collected directly from schools rather than a separate data collection from local authorities.

It was proposed to offer independent special schools the opportunity to receive a combination of place funding from the EFA and top-up funding from local authorities instead of the current arrangement whereby they receive all of their funding from local authorities. On the basis of the responses received to the consultation it has been decided to retain the current arrangements.

2.11 Changes to SEN and disability funding for colleges and other FE institutions

In the first consultation two changes were suggested:

- a) to pay the place funding for special post 16 institutions on the basis of a flat rate of £10,000 per place so it is consistent with special schools; and
- b) to distribute the high needs place funding in mainstream provision (currently paid at £6,000 per place) through the main post 16 national funding formula with adjustments to the factors in that formula except in the case of schools and colleges with a special unit designated by the local authority and FE institutions with 10 or more places.

There will be a further consultation with the post 16 sector on any changes to be brought in from the 2018-19 academic year.

2.12 Financial impact of proposals on Havering

Illustrative figures have been published as part of the consultation that would eventually allocate to Havering £23,215,369 (an increase of £1.75m above the baseline) and with a gains cap of 3% would allocate £22,067,638 in 2018-19 (an increase of £606k).

The DFE consultation documents can be found on the following link:

<https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform-2/>