

Schools Funding Forum 21 October 2021

ITEM 5

Subject Heading:

High Needs Funding Review

Report Author:

**Nick Carter – Principal Finance Officer
(Schools)**

Eligibility to vote:

All school and academy members

SUMMARY

This report provides a summary of the options considered at the first meeting of the High Needs Task and Finish Group and proposes a package of increases in High Needs funding for schools.

RECOMMENDATIONS

That the Schools Funding Forum:

- (i) notes the areas examined by the Task and Finish Group
- (ii) considers a package of changes, proposed by the LA, that would increase High Needs funding for schools by £2.5m.
- (iii) agrees that the consultation with schools on 2022-23 funding include the option of a transfer of Dedicated School Grant from the Schools Block to the High Needs Block.

The Forum may wish to defer decisions on this item until after Agenda Item 7 has been considered.

REPORT DETAIL

1. Background

At their meeting of on 23 September 2021 the Schools Funding Forum agreed to set up a High Needs Task and Finish Group to look at four areas of High Needs funding for schools. These are:

- (i) The hourly rate paid for teaching assistant support in respect of Education Health Care Plans (EHCPs).
- (ii) The inclusion supplement, or headroom, paid to schools with a disproportionately high number of pupils with an EHCP.
- (iii) Whether schools should receive payment for the assessment period prior to an EHCP being finalised.
- (iv) Funding for Additional Resourced Provision (ARPs)

Funding for the above is met from the High Needs Block of the Dedicated Schools Grant (DSG). This is projected to overspend by £3.0m in 2021-22. With a £2.7m deficit brought forward, this will bring the cumulative deficit to £5.7m. Funding for 2022-23 will increase by £3.3m but costs are expected to increase by a similar figure.

2. Transfers between DSG blocks

An increase in High Needs funding for schools could be met, or partially met, by the transfer of money from the DSG Schools Block to the DSG High Needs Block.

For 2022-23, with the agreement of the Schools' Funding Forum, LAs will continue to be able to transfer up to 0.5% of their Schools Block to other DSG blocks. Using the indicative figure for 2022-23, this equates to £1,006,000. There was no transfer from the Schools Block to the High Needs Block in 2021-22. In 2020-21 the Forum voted to transfer £500k from the Schools Block to the High Needs Block.

3. DfE Review of High Needs Funding

The DfE are due to undertake a review of High Needs funding. This has been delayed a number of times but when complete it is likely to impact on the way that both LAs and schools are funded for High Needs.

4. Areas considered by the Task and Finish Group and LA proposals

Funding in support of EHCPs

Teaching assistant time in support of an EHCP is currently funded at £14.00 per hour after the first 11 hours. Appendix A shows a calculation of the average hourly cost of a teaching assistant. The average spinal point for a special needs teaching assistant in LA maintained primary schools is 4.34. The figure is unlikely to be significantly different

in academies and secondary schools. The hourly cost, including the current pay offer from employers, is £16.06 per hour.

Schools are funded for 39 weeks each academic year, with some variation each financial year depending on the timing of the Easter break. Teaching assistants are, however, paid for 43.6 weeks per year, or 44.1 weeks if they have over five years service. Taking this into account, the hourly cost increases to £18.04.

Schools are expected to meet the first £6,000 of support for an EHCP from the School Budget Share. At the current funding rate of £14.00 per hour this equates to the first 11 hours. As the rate is increased, the hours represented by £6,000 falls. For example if the rate increased to £15 per hour, £6,000 would only purchase 10.25 hours.

Appendix B shows the impact of hourly funding rates from £14.00 to £18.00, both in terms of the increased cost to the High Needs Block and the reduction in cost to the School Budget Share.

The local authority is recommending an increase from £14.00 to £16.00 for 2022-23 as a start in the move towards an £18.00 hourly rate. At £16.00 per hour, funding for an EHCP would begin after the first 9.5 hours.

The estimated cost of this change is £1,769,000.

The Inclusion Supplement

Frequently referred to as 'headroom', the Inclusion Supplement provides additional funding to schools that have a disproportionately high number of pupils with EHCPs. Schools are expected to meet the first £6,000 of support from the School Budget Share. The DfE acknowledges that where a school has a high number of EHCP pupils the need to fund the first £6,000 will place a strain on the budget. Local Authorities are, therefore, permitted to provide additional funding to schools that have a high number of pupils with an EHCP. The DfE does not prescribe the method of calculating the additional funding.

Notional SEN Funding

Part of a school's individual budget share is identified as 'Notional SEN funding'. In Havering this is calculated as:

Pupil led funding 1%

Plus

Deprivation funding 16.5%

Plus

Low prior attainment funding 40% primary schools, 45% secondary schools.

The idea of Notional SEN funding is to demonstrate that an element of the School Budget Share is intended for special needs. This includes meeting the first £6,000 cost of an EHCP and supporting SEN pupils who do not have an EHCP.

Current calculation of the Inclusion Supplement

Funding is currently calculated as follows:

- Calculate the percentage of pupils in the each sector that have an EHCP.
- Identify those schools with an above average number of EHCPs for the sector and calculate by how many EHCP pupils they are above average.
- Multiply the number of EHCPs the school is above average by £6,000. This identifies the cost to the school of meeting the first £6,000 of an above average number of pupils with an EHCP. (A)
- Calculate the average per pupil funding for each sector.
- Calculate the difference between the funding that each school receives and what it would receive if it were funded at the sector per pupil average. (B)
- If any additional funding the school receives at (B) is not sufficient to meet the additional cost at (A), the school will receive an Inclusion Supplement. This will be between 25% and 100% of the difference, depending on how far the school's funding deviates from the average.

In 2021-22 nine primary schools received a total of £163,907 and two secondary schools a total of £202,711. The total funding was £366,618.

Proposed calculation of the Inclusion Supplement

The LA is proposing to simplify the calculation of the Inclusion Supplement using the Notional SEN funding as the basis for calculation. A school would be expected to use up to 75% of the Notional SEN funding it receives to meet the £6,000 cost per EHCP. Each school would have at least 25% of the Notional SEN funding remaining to meet other SEN support costs.

Funding would be calculated as follows:

- Multiply the number of EHCPs in the school by £6,000 (A).
- Multiply the Notional SEN funding received by the school by 0.75 (B)
- If (A) is greater than (B), the school receives the difference.

If this methodology had been used for 2021-22, nine primary schools would have received a total of £315,738 and two secondary schools a total of £255,947. The total funding was £571,685.

The estimated cost of this change is £206,000

Backdating funding for new EHCPs

A pupil arriving a school may require one to one support from the first day. If that pupil does not have an EHCP in place, the school will not receive funding until an EHCP has been finalised and will then receive funding starting from the date of finalisation. This means that the school receives no funding for the assessment period.

The cost of simply backdating the start of each EHCP by 20 weeks, to cover the assessment period, would be between £1.5m and £2m a year making it prohibitively expensive.

The Task and Finish Group felt that the problem was most acute with reception children. The LA is proposing that when an EHCP is finalised for a pupil in the reception year, funding is backdated to the start of the academic year or to the pupil's start date at the school if this is later.

Calculating the cost of this additional funding with any degree of accuracy is not straightforward as the numbers from the last financial year are likely to be atypical due to the pandemic. Using the numbers from earlier years would not reflect the increase in EHCPs that has taken place.

The estimated cost of this change is £150,000.

Funding for Additional Resourced Provision (ARPs)

Schools with an ARP currently receive funding as follows:

- The pupil led funding relevant for the Key Stage of each pupil in the ARP. This is topped up to £4,000 for Key Stage 1 and 2 pupils.
- £4,000 for each place at the ARP that is unfilled
- £6,000 per place 'place funding'
- £6,667 per place 'pupil top-up'

This means that an ARP at a primary school receives £16,667 per place. An ARP at a secondary school receives £17,435 for each place filled by a KS3 pupil, £18,041 for each place filled by a KS4 pupil and £16,667 for each place that is unfilled.

The £6,667 pupil top-up matches the lowest funding band for pupil top-up in special schools, Level C (ii). There are, however, very few pupils in special schools that are funded on this lowest band. The LA is proposing that the £6,667 pupil top-up is increased to £10,000 to match the next funding band for pupil top-up in special schools, Level C (ii).

The additional £3,333 per place would provide a 12 place ARP with an additional £40k a year.

The cost of this change, based on existing ARP place numbers, is £353,000.

Total additional costs

The total estimated cost of the proposals outlined above is shown below:

Proposal	Cost (£)
Increasing the hourly rate for teaching assistant support for EHCP hours from £14.00 to £16.00. Reducing the hours met by the school from 11 to 9.5.	£1,769,000
Calculating the Inclusion Supplement (headroom) using a formula based on 75% of Notional SEN funding.	£206,000
Backdating EHCP funding received for reception children to the start of the academic year or their start date at the school.	£150,000
Increasing the pupil top-up funding for ARPs from £6,667 per place to £10,000 per place.	£353,000
Total cost of proposals	£2,478,000

The overspend on the High Needs Block means that these proposals could not be implemented without a transfer of 0.5% from the Schools Block. This would reduce the net increase in cost to the High Needs Block from £2.5m to £1.5m.

High Needs Funding Review Autumn 2021

EHCP hourly rate

		£
TA paid on Grade 1		
At July 2021 offer rate		
	1	21,226
	2	21,398
	3	21,783
	4	22,176
	5	22,573
Average point 4.34		22,311
Average N.I. %	5.33	1,189
Average pension %	29.77	6,642
Total average cost		30,142

Hourly cost **16.06**

Adjustment for holiday pay

No of weeks funding		39
Staff work 38 weeks paid	43.6	
or	44.1	
Use		43.8

Adjusted hourly rate **18.04**

High Needs Funding Review Autumn 2021**The impact of changes in the hourly rate of funding for an EHCP**

Total number of pupils supported by TA

821

Hourly rate £	Total TA hours / week	£6,000 represented as hours per week	Hours per week per pupil met from Notional SEN	Total hours per week met from Notional SEN	Total hours per week met from HN Block	Total weeks	Cost met by HN Block £	Increase over current £	Funding received by school for 32.5 hpw pupil £	Increase over current £	Cost to SBS of supporting 32.5 hpw pupil £
14.00	21,870	10.99	11.00	9,031	12,839	39	7,010,094		11,739		11,109
15.00	21,870	10.26	10.25	8,415	13,455	39	7,871,029	860,935	13,016	1,277	9,832
16.00	21,870	9.62	9.50	7,800	14,071	39	8,779,992	1,769,898	14,352	2,613	8,496
17.00	21,870	9.05	9.00	7,389	14,481	39	9,600,903	2,590,809	15,581	3,842	7,268
18.00	21,870	8.55	8.50	6,979	14,892	39	10,453,833	3,443,739	16,848	5,109	6,000