



Report to: Schools Forum
Date of Meeting(s): 8th October 2015
Subject: School Funding – High Needs Block Update.
Report of: James Winterbottom Interim Director for Children and Families
Contact Officer: John McDonald Strategic Finance Manager

Summary: To update Schools Forum on the current position in relation to the High Needs Block.

Recommendation(s): For Schools Forum to note the contents of the report

Implications:

*What are the **financial** implications?* n/a

*What are the **staffing** implications?* n/a

Risks: n/a

Please list any appendices:-

Appendix number or letter	Description
N/A	

1. Introduction

- 1.1 The Department for Education (DfE) issued the 2016/17 High Needs Funding Guidance on the 24th of September. The guidance indicated that we assume that there will be no additional funding for 20016/17. The Department is not in a position to commit any funding growth due to the Spending Review (25th of November). The full year 2016/17 allocation will therefore be based on the 2015/16 academic year place numbers, and for the remainder of the high needs allocation there will be no change to what was allocated for 2015/16.
- 1.2 Flexibility is available at local level, however, to make adjustments to individual institutions' place funding next year. This is to ensure that the places funded broadly reflect both local authorities' recent commissioning activity relating to those children and young people with special educational needs (SEN) and disabilities, and the more strategic planning that they might do to secure suitable SEN provision and alternative provision (AP) in line with their statutory responsibilities.
- 1.3 Under the current School and Early Years Finance (England) Regulations 2014, local authorities have the flexibility to make changes to the number of places funded in maintained schools and pupil referral units (PRUs), and the DfE do not intend to change this aspect of the regulations for next year. Authorities will be able to make such changes from April 2016, although we would expect most changes to be made for the start of the 2016 to 2017 academic year.
- 1.4 Changes to place numbers should be planned on a cost-neutral basis, and on the assumption that the local authority's overall 2016/17 high needs allocation will be calculated as indicated above. Following the publication of information about local authorities' DSG allocations, the EFA will deduct from the local authority's overall high needs allocation the amount required to fund the places in those institutions that receive place funding direct from the EFA, including those adjustments to place numbers agreed by the institutions and notified to the EFA.

2. National Update (beyond 2016/17)

- 2.1 In the summer of 2014, the DfE commissioned ISOS Partnership to undertake research into SEN funding arrangements and practices. The aim of this research was to provide insights into the way funding for young people with SEN is spent, the reasons for differences between spending patterns in different local authorities, and the options for changing the ways in which high-needs funding is distributed in future.

2.2 Key findings and proposals

- **National-to-local distribution of high needs funding:** Analysis has shown that the current method of allocating the high needs block of the DSG to LA's on the basis of historic spending levels does not match closely with current levels of need and the distribution was not transparent objective or fair.

The conclusion was that this should be moved to a formula based allocation. Analysis of potential factors which may be included identified factors such as deprivation, prior attainment, children's disability and children's general health.

- **Core funding for mainstream schools pre-16:** Within some local education systems there was a high degree of confidence in how the new funding arrangements were working and how limitations could be overcome, in others, however, in other systems there were concerns about whether under the new system, the needs of children and young people with SEN could be adequately met. The research focused on three elements of the current funding system

(1) *How effectively schools are providing the first £6,000 of additional support,* if schools are to provide the first £6,000 effectively their core budgets must adequately meet the needs of the children, the permitted formulas that LA's use to target funding at need could be improved by adding a disability related factor. The funding challenge is that any formula based allocation method will not be able to reflect differences in the size of a schools population which is largely driven by culture rather than demographic and contextual factors that can be measured, consequently some schools are struggling to meet the first £6,000 in support costs from their base budgets.

The research suggests that LA's work with their schools to agree a core entitlement that all schools will provide for children with SEN, along with the DFE publishing clearer national directions which would give greater consistency in what schools should be looking to do with the first £6,000 of additional support.

(2) *How well notional SEN budgets are functioning,* analysis of how notional SEN budgets are calculated suggested significant limitations associated with the methodology, there is poor correlation between notional SEN budgets and levels of reported need and great variations from school to school in how much each child with SEN is "notionally" allocated.

The research proposes that the DFE should consider removing notional SEN budgets from the funding system for mainstream schools and should instead set out clearer expectations of what schools should provide for pupils with SEN and communicate clearly how core funding is calculated, along with this, a simple financial planning tool to help guide schools' decisions about spending on SEN.

(3) *LA practices in allocating money outside the formula*, it was found that there were inconsistent practices in whether or how well LA's were using this discretion. With only around a third of LA's providing this and those that did use different criteria for whether they would allocate additional resources and how they may be distributed. **The research suggests DFE should issue clearer directions for LA's on the circumstances where they should provide additional funding.**

- **Core funding for SEN in early years settings:** Two main sets of challenges were reported, firstly, there was a lack of clarity in local education systems about who was responsible for paying for additional support over and above the cost of free entitlement. The second was that some providers reported that they were finding it difficult to fund the full free entitlement for children with SEN because there was no recognition in their funding that the cost of meeting their needs was greater than the standard per-child funding they received. There was also a concern that as numbers increased in the future, their early years and SEN funding would be under greater pressure making it more difficult to use funding flexibly.

LA's should work with providers to establish clear expectations about the support pre-school settings are expected to provide from their core funding, and the circumstances in which additional resources will be provided.

The research proposes that the DFE should set out a practical reminder of the ways in which LA's can fund SEN provision in pre-school settings

- **Core funding for special schools, resourced provisions and SEN units pre-16:** The new arrangements for funding specialist places had introduced greater consistency and understanding about placements, funding and outcomes. Some local education systems have begun to gather data and develop approaches to planning special school places, building on what has worked well in mainstream schools. The challenges reported were that, there is increasing pressure on special school places, also that there was a lack of clarity for LA's and schools about the planning and commissioning process for places.

The research proposes that there should be a more explicit role for local planning and commissioning of special school places where LA's and schools collaborate. There should be a more explicit process for accessing capital funding to develop new SEN provision where needed.

- **Core funding for SEN Post-16:** The challenges reported included, there being some confusion about funding for low level SEN and the scope for funding five day packages of support (policy set out in EFA guidance and SEND code of practice requires further understanding). LA's were also concerned about unknown level of future need for support for 19-25's with SEN, the DFE may wish to consider

helping LA's to analyse future demand and highlight examples of effective practice. It was also felt that there were inconsistent approaches to the criteria for determining top-up funding, and the timing of the process for planning and allocating funding meant that funding was not always allocated in a way that matched where people chose to study.

- **Top up funding:** There is inconsistent approaches to top up funding within and across local education systems. There was a lack of clear consistent expectations around inclusion, differences in the provision available locally and different ways of constructing local banding frameworks.

There was strong support from the responses for a set of core principles about how top up funding should operate, the research believes that the DFE should develop and publish this bringing together existing published material along with new principles and standards. Also LA's should publish information about their arrangements including their banding top up values and practices and named contacts, timescales and review requirements.

- **Funding support for children and young people with very high needs:** There are high associated costs and complexity of planning for and identifying placements for children with needs so complex that they require a level of support beyond that which the majority of schools would be able to provide. The research has helped to identify developing practice in pooling budgets between local health, social care and education services, however, the examples of the system working were the exception rather than the rule. There were two specific issues with joint commissioning and joint funding, firstly it proved challenging to apportion costs consistently between health and social care between children with complex needs and those with a significant health component. The second issue was that due to there being such a small number of those with needs so complex there tends to be few providers in a defined local area which narrows the commissioning options for LA's, and often children are placed in residential facilities away from their families.

The research suggests that the DFE should consider publishing joint guidance with the DoH and NHS that clearly describes the role the CCG leads in SEN and sets out which aspects of provision should be funded by education services and which should be funded by health services. Also that the DFE should consider piloting sub-regional or regional approaches to joint strategic commissioning of provision for high need low incidence SEN in areas with a history of successful collaboration.

- 2.3 The DfE have stated that they will not be taking any further steps by way of response until after the spending review later this year.

3. Budget Allocations 2015/16 – 2016/17

- 3.1 The High Needs block outturn for the previous two financial years was favourable. This was partly due to the uncertainty around need and demand.
- 3.2 In 2015/16 we reviewed the allocations and bandings for special school provision and this resulted in allocating an extra £0.620m to that sector as reported to Forum in March. It was raised at that meeting to look at the resourced provision rates. A review of this awarded an extra £0.078m to those schools with units to align the rate with the Complex Needs Band that Special Schools receive.
- 3.3 In addition to this we are now facing increasing financial pressures in two other areas – Independent School Fees and Post 16 provision. This is due to extra demand and need in the system. The result of this is that we are now projecting an adverse variation across the block, which needs addressing but can be met in the short term from previous underspends.
- 3.4 The pressure on this block of funding is not just a local issue but is recognised nationally as an area that is underfunded hence the review by the DfE. The outcome of the spending review, ISOS research and the ongoing discussion around a National Funding Formula will determine the future of this block of funding.
- 3.5 There are local issues under our control and we will review some of budget allocations across the block to try and address the projected adverse variation for 2015/16. Therefore we have set up a working group with LA representation from a number of different areas SEN, Education, Post 16 and Independent Provision to look how we address these issues. We will report back to Forum and we may extend the membership of the group to other interested stakeholders once we have received feedback and fully understand the pressures and issues from the group.

4. Conclusions

- 4.1 Forum members to note the contents of the report.