

Report to the Schools Forum 13 January 2017

High Needs National Funding Formula – Stage 2 Consultation

1 Introduction

1.1 As part of the DfE's move towards national funding formulas for DSG, replacing the largely historically based allocations that apply currently, the high needs block of the DSG is moving towards a national formula from 2018/19. Unlike the schools block, this will be a national funding formula at local authority level rather than at school level.

1.2 Full details of the stage 2 consultation, launched on 14 December 2016, can be found on the DfE's website here:

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

2 Details

2.1 The formula is proposed to be made up of the following factors:

- Population aged 2-18 according to ONS predictions
- A basic per pupil entitlement (proposed to be £4,000 for each pupil in a special school or special post 16 institution);
- Health and disability factors;
- Low attainment factors;
- Deprivation factors;
- Historic spend factor;

with adjustments also being made for area cost adjustment (where applicable, i.e. London and environs), import/export adjustments to take account of whether an area is a net importer (like T&W) or a net exporter or high needs pupils, a funding floor factor and a hospital education factor.

2.2 With regard to the proxy indicator elements of the funding formula, they are proposed to be weighted as follows:

Formula Factor	Weighting
Population	50%
Deprivation – FSM eligibility	10%
Deprivation - IDACI	10%
Low attainment KS2	7.5%
Low attainment KS4	7.5%
Health & disability – children in bad health	7.5%
Health & disability – disability living allowance	7.5%
Total	100%

2.3 The illustrative result for T&W of this funding formula is increased funding of 2.4%, representing an increase of £474,000. Whilst less than the increase in the schools block, which is illustrated as increasing by 4.3% once the NFF is fully implemented, it

is more than the national average increase of 1.2%, so in that context represents relatively good news for T&W.

- 2.4 The DfE has recognised the concern that the NFF for mainstream schools will potentially remove the main element of budget flexibility that has existed up until now with regard to handling high needs budget pressures, namely the ability to move funds between the different DSG blocks. This issue was consulted on with T&W schools recently, leading up to 2016/17, in the context of a transfer of funds from the Schools Block to the high need block from September 2016. Most of chapter 4 of the consultation is devoted to this and related issues.
- 2.5 The DfE is keen to emphasise that there will be some flexibility in the new funding system, namely *“no restrictions on the transfer of funding between the high needs funding block, the central schools service block and the elements of early years funding that local authorities are allowed to retain for central spending.”* In addition, in 2018/19, it is proposed that schools block funding will still be able to be moved to high needs, but only with *“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)”*
- 2.6 In 2019/20 the DfE proposes *“a mechanism whereby schools in an area 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 specialist provision.....created by a small charge on each school’s budget”*. An ‘area’ could mean a sub-set of the LA rather than the whole LA. It is not clear whether majority agreement or unanimous agreement of the relevant schools is proposed.
- 2.7 These proposals would dilute the role of the Forum, in that other decision making groups (either all schools in a phase or a sub-group of schools in an LA) would make decisions about the distribution of funding, a role that to date has been restricted to the Forum.
- 2.8 The DfE is also encouraging local authorities to undertake a ‘strategic review’ of SEN provision and is providing some additional funding to enable such a review to be undertaken in 2017, to result in a ‘strategic plan’ for SEN in the area. T&W will be undertaking such a review in 2017 and will keep the Forum informed of its progress.
- 2.9 A capital fund for SEN is also being established. However, with a value of £200m to cover 150 local authorities, and in the context of T&W being a smaller than average local authority, the allocation to T&W is likely to be in the hundreds of £thousands rather than £millions. *“Local authorities, through consultation with local stakeholders, will decide how best to spend their allocation to meet local needs. We will set out more information about the fund in early 2017.”*
- 2.10 The DfE also appears to be planning to move more financial control over alternative provision to schools rather than local authorities and states that an *“increase in*

responsibility for commissioning alternative provision would mean that schools should have more control over the funding....We will say more on this in due course”.

3 Response to Consultation

- 3.1 T&W will be responding to the consultation questions, listed in Appendix A. As with the schools block consultation (national funding formula for mainstream schools) the closing date for comments is 22 March 2017

Tim Davis
Finance Team Leader
January 2017

Appendix A: DfE Consultation Questions

- 1 In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance?
- 2 We are proposing a formula comprising a number of formula factors with different values and weightings. Do you agree with the following proposals?
 - Historic spend factor – to allocate to each local authority a sum equal to 50% of its planned spending baseline
 - Basic entitlement – to allocate to each local authority £4,000 per pupil
- 3 We propose to use the following weightings for each of the formula factors listed below, adding up to 100%. Do you agree?
 - Population – 50%
 - Free school meals eligibility – 10%
 - IDACI – 10%
 - Key stage 2 low attainment – 7.5%
 - Key stage 4 low attainment – 7.5%
 - Children in bad health – 7.5%
 - Disability living allowance – 7.5%
- 4 Do you agree with the principle of protecting local authorities from reductions in funding as a result of this formula? This is referred to as a funding floor in this document. 5
- 5 Do you support our proposal to set the funding floor such that no local authority will see a reduction in funding, compared to their spending baseline?
- 6 Do you agree with our proposals to allow limited flexibility between schools and high needs budgets in 2018-19?
- 7 Do you have any suggestions about the level of flexibility we should allow between schools and high needs budgets in 2019-20 and beyond?
- 8 Are there further considerations we should be taking into account about the proposed high needs national funding formula?
- 9 Is there any evidence relating to the eight protected characteristics as identified in the Equality Act 2010 that is not included in the Equalities Analysis Impact Assessment and that we should take into account?