

Meeting / Date	<b>SCHOOLS FORUM 23 March 2016</b>	Agenda Item	1
Report Title	<b>DfE Consultation on Schools National Funding Formula (Stage 1)</b>		
Decision/ Discussion/ Information	For Information		
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Appendices	<b>Appendix A:</b> Schools National Funding Formula-Stage1 <b>Appendix B:</b> Question Summary <b>Appendix C:</b> Summary of White Paper: ‘Educational Excellence Everywhere’		

## 1. SUMMARY

- 1.1 On 3 March 2016 the Government launched the consultation on the Schools National Funding Formula. This attached consultation document is the first stage of a two part consultation exercise. This report summarises some of the key issues that need to be considered in preparing responses.
- 1.2 The consultation closes on 17 April 2016.
- 1.3 The consultation sets out proposals on the delivery of a fair and transparent funding system, where funding for children at schools is based on need and is consistent across the country.
- 1.4 The intention is to take into account the views expressed in response to the first phase on rationale and principles for the building blocks of the formula and then to consult on proposals for weightings and values for the formulaic factors in the second stage.
- 1.5 The Department for Education (DFE) will publish the second phase for consultation later in the spring or over the summer.
- 1.6 The first stage of the consultation ends on 17 April 2016 and runs for 6 weeks which includes the Easter Break. The timing of the second phase has not yet been published.

- 1.7 This consultation runs alongside a separate consultation on High Needs Funding Reforms and a Dedicated Schools Grant (DSG) rebasing exercise for 2016-17.
- 1.8 The consultation document and online response form are available electronically and can be downloaded from :  
<https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula>
- 1.9 A full copy is attached at Appendix A with a question summary at Appendix B.
- 1.10 The Government published on the 18 March 2016, a White Paper called 'Educational Excellence Everywhere'. A summary of its main points is shown at Appendix C for information and background.

## **2. RECOMMENDATIONS**

### **2.1 Schools Forum notes:**

- That this report highlights key proposals on the Schools national funding formula Consultation; and comments on the rationale and principles proposed in Stage 1.

### **2.2 Schools Forum comments on the Questions and agrees for those comments to be included in the LA's responses,** in particular Questions 2, 13, 15, 16, 20 and 21.

## **3. REASON**

- 3.1 In 2010 the Government first indicated its intention to introduce a National Funding Formula (NFF). As a first step in 2013-14, the DSG was split into three funding Blocks: Schools Block, High Needs Block and the Early Years Block.
- 3.2 Also in 2013-14, a fixed number of funding factors were introduced for the Schools Block, which is the largest. Since then, funding for 2 year olds and Early Years Pupil Premium were introduced on formulaic basis and is out of scope.
- 3.3 This consultation is about taking the final steps to introducing a NFF in relation to the Schools Block and rebasing the Dedicated Schools Grant on local spending patterns. A similar exercise for the 3-4 year olds will be consulted upon later this year.

## **4. About the Consultation**

- 4.1 This is Stage 1 of two consultations. It has 25 questions (see Appendix A). Essentially the consultation is about:
  - The principles that underpin the formula.
  - The building blocks proposed in the construction of the formula.

- Factors to be included in the proposed NFF.

4.2 This stage is seeking views on the structure of the formula with proposals on:

- A nationally determined schools level formula that generates per pupil funding.
- Implementation of the NFF from 2017-18 and 2018-19 to allocate funding to Local Authorities. During those two years Local authorities (LAs) can still distribute to schools according to a Local Funding Formula.
- Full implementation of the NFF directly to schools from 2019-20, bypassing LAs.
- Creation of a new fourth Central Block for the continuing duties of LAs.
- Ensuring stability through a minimum funding guarantee(MFG) nationally (and locally for 2017-18 and 2018-19 only).
- Providing practical help including an 'Invest to Save' Fund (No details published).

4.3 The stage 2 consultation later this year, will contain proposals on weighting the factors in the NFF and assessing the impact on particular areas and schools. Until then, the exact financial impact on London and Waltham Forest cannot be confirmed

### **The Principles**

4.4 There are seven principles that the DFE are using to support the reform to create a schools level NFF and the proposals that flow. It is suggested that such a funding system should be:

- Supporting opportunity.
- Fair
- Efficient.
- Funding schools directly
- Transparent
- Simple
- Predictable for schools.

### **The Structure**

4.5 The future of the DSG is the main focus of these reforms. Pupil Premium, Pupil Premium Plus and Service Children will continue as separate funding stream to schools and are unaffected by this consultation.

4.6 In addition to the three existing blocks it is proposed that a fourth Block, called the Central Block, be created. This will contain schools central services (Admissions, Schools Forum Administration and Licences), historic commitments (none for LBWF) and the retained rate (presently £15 per pupil) of the Education Support Grant.

- 4.7 The Schools Block will be calculated using the NFF and allocated to LAs in 2017-18 and 2018-19. These are termed 'soft years', during which LAs will be allowed to allocate to schools their NFF allocations according to their own local funding formulae, using prescribed factors and locally set MFG. It is proposed that from 2019-20, the schools block will be directly allocated to schools by the DfE.
- 4.8 At the moment LAs are freely able to carry out interblock transfers. It is proposed that during the 'soft years' that LA's will be required to fully passport all of their Schools Block funding to schools. The DfE suggest that there is a strong case for reducing this flexibility as there is a move towards a fairer funding system based on pupil need.
- 4.9 From 2019-20 the schools block will be calculated using the NFF and distributed directly to schools without the need for a local funding formula, bypassing LAs. The consultation proposes that this mechanism will deliver on the seven principles as set out.
- 4.10 Table A below shows the building blocks and factors of the schools national funding formula. It is proposed to retain 11 out of the 14 prescribed factors by 2019-20. Post 16 factors will not be used in 2017-18 and LAC and mobility will also be removed for 2018-19. The rate of Pupil Premium plus for LAC will be increased instead following its exclusion from the NFF. Waltham Forest only uses the Mobility factor out of the removed set of three.

Table A: Building Blocks and relevant factors in the NFF

A	per-pupil costs	Basic per-pupil funding			
B	Additional Needs	Deprivation	Low Prior attainment	English as an Additional Language	
C	School Costs	Lump Sum and Spacity	Rates	Premises*	Growth
D	Geographic Costs	Area cost adjustment			

- 4.11 Basic per-pupil funding can be thought of as being the equivalent of Age Weighted Pupil Unit (AWPU) currently used in the Local Funding Formula (LFF). However its exact calculation and quantum will not be known until Stage 2 of the consultation. It is proposed to have one banding for KS1 and KS2 and separate bands for KS3 and KS4
- 4.12 The DfE accepts that no funding formula will exactly match every pupil's needs. It is suggested that schools and teachers know their pupils needs best. However schools will not be required to spend a specific amount on any particular child. It is proposed for additional needs to use the following factors;

socio-economic deprivation, low prior attainment and English as an additional language.

- 4.13 It is proposed to use a combination of pupil level and area level deprivation datasets. At the pupil level it is proposed to use both FSM and FSM6 to reflect both current and historic eligibility for free school meals. At the area level, it is proposed to retain the IDACI measure, despite the recent turbulence caused by data revision. With minor revisions, the DfE are proposing to use existing datasets to determine prior attainment (EYFSP) and English as a second language (EAL3).
- 4.14 Schools' costs relate to premises and overheads rather than pupil characteristics. Currently, there are no mandatory schools' costs factors. However it is proposed that every school should receive a lump sum. This is particularly important for small schools, where lump sums are a high proportion of overall funding. Sparsity is not used in Waltham Forest, as it relates to pupils who have to travel more than two miles to their nearest school.
- 4.15 Business rates, split sites and PFI are currently factored in the LFF. It is proposed that historic allocations for these factors will be used in the 'soft years' to compute LA allocations, as they are deemed to be fixed costs.
- 4.16 In practice, rates are not fixed as schools are continually being reassessed, expanded and at least subject to an annual inflationary adjustment called a multiplier. Any in-year changes in rates for maintained schools is currently being met by the LA from de-delegated contingency, which will no longer be allowed from the 'soft' period. The DSG contribution to PFI contracts is assumed to be indexed annually in line with contract terms. The effect of these proposals in Waltham Forest is to pass inflation, assessments and other changes onto all schools in calculating allocations using the LFF.
- 4.17 At the moment Growth for all schools is top sliced from the DSG before application of the LFF. This is calculated using all locally known growth pressures and plans in consultation with all schools. As with other Schools Factors it is proposed that this is applied on historic basis from 2017-18. This poses particularly large risks for all schools as Growth, by its nature is neither static nor historic.
- 4.18 The DfE are proposing that the final block of the NFF should be an Area Cost Adjustment (ACA). This should act as multiplier on the funding initially calculated using the NFF. This will uplift the funding of schools in higher cost areas. It is to be applied to all factors except for rates, premises factors and Growth.
- 4.19 It is suggested that the ACA multiplier on the NFF should recognise the variation in labour market costs given the large proportion (over 80%) of schools funding that relates to staffing.

4.20 Before the DSG was introduced, the formula then used general labour market (GLM). In 2015-16, it was suggested that a hybrid ACA be used of two elements:

- For teaching staff, notional averages calculated for 4 regional pay bands (Inner London, Outer London, London Fringe and the rest of England). The notional averages for the first three bands were then compared to the rest of England and adjustments made.
- For non-teaching staff it is proposed to use the DCLG labour cost adjustment, which is general labour market measure used to allocate funding to LAs.

4.21 The consultation has left open the choice of the hybrid approach and a return to the GLM methodology.

### Transitional Arrangements

4.22 During a transition period in 2017-18 and 2018-19, allocations will still be made to LAs, who will then in turn allocate funding to schools through LFF. Allocations to local authorities in this period will be calculated using the NFF.

4.23 This 'shadow' formula will work out formula allocations at a school level and then distributes the aggregate allocation of all schools in the area to the local authority. Added to the schools shadow allocation will be historic values for rates, premises costs and Growth. This calculation effectively replaces the Schools Block Unit of Funding (SBUF) with NFF.

4.24 Minimum Funding Guarantee (MFG) at a school level will continue to apply. The exact level of MFG, currently -1.5%, is not confirmed in the consultation. The MFG will be funded in one of two ways, with the consultation leaning towards the flat cap option:

- A flat % cap on annual increases in funding
- A lower basic cap, topped up by a progressive system where losing schools that are furthest away from their formula allocation gain more.

4.25 During the transition period, **two separate MFGs** are proposed:

- When allocations to LAs are calculated under the 'shadow' formula, a national MFG and corresponding cap on gains will apply at the school level. Allocations to LAs will be adjusted accordingly.
- A local MFG (Cap +/- scaling) for the distribution from schools to local authorities is suggested during the transition period – i.e. allowing LAs to make larger savings at a school-level than the national MFG in the 'shadow' formula

4.26 Following the re-baseline exercise in March 2016, the EFA expects that there will be less need for interblock transfers. Reserves can still be used to supplement all 4 blocks.

- 4.27 De-delegation will be withdrawn in the 'soft period'. Schools may purchase/pool as traded offers instead. Schools Forum still retains powers in in this period up to 2019-20. Its functions will be reviewed thereafter.

### **The new Central Block and the Education Services Grant (ESG)**

- 4.28 A fourth 'central schools block' will be introduced, bringing together ESG and centrally retained functions of the DSG. It is proposed to fund ongoing LA responsibilities on a per pupil rate derived from these two funding streams. This calculated allocation will be updated by the ACA as with other relevant factors in NFF.
- 4.29 There will be a reduced funding rate for ESG paid to LAs for services to maintained schools for the first five months of 2017-18 and will be completely removed from September 2017. The general funding rate will also be removed for academies, subject to transitional arrangements. The 'retained' per pupil rate under the ESG (currently £15 per pupil); will be mainstreamed with the DSG to fund the Central Block under the proposals. These arrangements will be confirmed in stage 2.

### **Removal of Duties**

- 4.30 It is expected that LA's will step back for School Improvement functions from AY 2016-17. The DFE are keen to hear what statutory duties might cease under the new arrangements. It is proposed to amend regulations to allow LAs to discharge their statutory functions in relation to maintained schools out of maintained schools' DSG. This will need to be agreed by the maintained sectors of Schools Forum.

## **5. Implications and risks on the Schools and High Needs Block**

- 5.1 In 2016-17 the Schools Block was supplemented by £0.75million for Growth. Since this is fixed for the purposes of calculating the 2016-17 baselines, the other blocks have to absorb this amount to balance back to the DSG informed on 17 December 2015 for 2016-17. As result the proportion that impacted on the HNB amounted £0.500m, which it can least afford given all the risks. In effect the HNB has subsidised Growth on the Schools Block.
- 5.2 The EFA by their own admission acknowledge that PFI contracts are complex arrangements. Using historic amounts will leave funding gaps on the unitary charge given that PFI credits are fixed. In LBWF, governing bodies are already making indexed contributions towards the unitary charge, so that leaves either increased governing body contributions or a top slice to all schools in the DSG for indexation.
- 5.3 Most LAs meet NNDR costs on behalf of maintained schools. However, these are not fixed costs as there is a multiplier applied every year and revaluations occur as schools expand or change sites. A fixed amount does not respond to changing assessments. Like PFI schools will need to be top-sliced to meet

additional costs. Recently one of our schools received a backdated assessment of £42k, which was met from the De-delegated contingency, which will no longer be allowed from 2017-18.

- 5.4 The pressure for places continues to grow and so the need for split sites will increase. In LBWF we pay for schools taking on new sites for fixed overheads (£95 per pupil vacancy) on a sliding scale as the sites become fully occupied after 5 years. The proposals do not recognise the fact that more sites are going to be needed and the funding that needs to follow should be flexible enough.
- 5.5 Growth is proposed to be and assumed to be a fixed cost by the DfE. If LAs are to retain powers for place provision then this does not reconcile with having a static Growth Fund. The present arrangement works well for primary schools including including academies and free schools, which are the main beneficiaries in LBWF. Allocations are based on local conditions that are continually in flux. Provision of places in Free schools has been met in LBWF from the Growth Fund. We expect two new 6FE secondary schools to open in AY 2017-18, that will cost at least another £2m over the present Growth Fund of £3.25 m. This will be a significant gap and a real risk.
- 5.6 The Department is giving £200m for High Needs Capital programmes to increase places. It is unclear if it will also provide revenue support (for top-up funding) for each new place.

## **6. CONSULTATION**

- 6.1 The LA is consulting with Schools Forum on Stage 1 of this consultation. It has also provided regular reports to Schools Forum updating on funding arrangements within the Schools Block. The LA is now asking Schools Forum to note the recommendations set out in this report.

**Schools national funding formula**

**Government consultation – stage one**

**QUESTIONS**

**Question 1**

Do you agree with our proposed principles for the funding system?

**Question 2**

Do you agree with our proposal to move to a school-level national funding formula in 2019-20, removing the requirement for local authorities to set a local formula?

**Question 3**

Do you agree that the basic amount of funding for each pupil should be different at primary, key stage 3 and key stage 4?

**Question 4**

- a) Do you agree that we should include a deprivation factor?
- b) Which measures for the deprivation factor do you support?
  - Pupil-level only (current FSM and Ever6 FSM)
  - Area-level only (IDACI)
  - Pupil- and area-level

**Question 5**

Do you agree we should include a low prior attainment factor?

**Question 6**

- a) Do you agree that we should include a factor for English as an additional language?
- b) Do you agree that we should use the EAL3 indicator (pupils registered at any point during the previous 3 years as having English as an additional language)?

**Question 7**

Do you agree that we should include a lump sum factor?

**Question 8**

Do you agree that we should include a sparsity factor?

**Question 9**

Do you agree that we should include a business rates factor?

**Question 10**

Do you agree that we should include a split sites factor?

**Question 11**

Do you agree that we should include a private finance initiative factor?

### **Question 12**

Do you agree that we should include an exceptional premises circumstances factor?

### **Question 13**

Do you agree that we should allocate funding to local authorities in 2017-18 and 2018-19 based on historic spend for these factors?

- Business rates
- Split sites
- Private finance initiatives
- Other exceptional circumstances

### **Question 14**

Do you agree that we should include a growth factor?

### **Question 15**

Do you agree that we should allocate funding for growth to local authorities in 2017-18 and 2018-19 based on historic spend?

### **Question 16**

- a) Do you agree that we should include an area cost adjustment?
- b) Which methodology for the area cost adjustment do you support?
  - general labour market methodology
  - hybrid methodology

**Question 17**

Do you agree that we should target support for looked-after children and those who have left care via adoption, special guardianship or a care arrangements order through the pupil premium plus, rather than include a looked-after children factor in the national funding formula?

**Question 18**

Do you agree that we should not include a factor for mobility?

**Question 19**

Do you agree that we should remove the post-16 factor from 2017-18?

**Question 20**

Do you agree with our proposal to require local authorities to distribute all of their schools block allocation to schools from 2017-18?

**Question 21**

Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee?

**Question 22**

Do you agree that we should fund local authorities' ongoing responsibilities as set out in the consultation according to a per-pupil formula?

**Question 23**

Do you agree that we should fund local authorities' ongoing historic commitments based on case-specific information to be collected from local authorities?

**Question 24**

Are there other duties funded from the education services grant that could be removed from the system?

**Question 25**

Do you agree with our proposal to allow local authorities to retain some of their maintained schools' DSG centrally – in agreement with the maintained schools in the schools forum – to fund the duties they carry out for maintained schools?

# DfE White Paper: Educational Excellence Everywhere

Date 18 March 2016

## Summary

The DfE has published a White Paper, [Educational excellence everywhere](#) outlining the Government's plans 'to transform England's schools and build on progress that has already been made'. It sets out seven elements to underpin its aims:

- great teachers – everywhere they're needed (including reform of initial teacher training delivery and content; a new accreditation system to replace qualified teacher status; and a new College of Teaching)
- great leaders running our schools and at the heart of our system – with more power given to the best school and system leaders (with a focus on building capacity in the areas that need it most; a new National Professional Qualification; incentives to attract the best leaders to challenging areas; and a National Teaching Service to support strong middle leaders to move to challenging areas)
- a school-led system with every school an academy (with the Government taking powers to direct all schools to become academies by the end of 2020 with all schools becoming academies by 2022; 'most schools in dynamic MATs' [multi-academy trusts]; and a clearly defined role for local authorities focused on ensuring every child has a school place, ensuring the needs of vulnerable pupils are met and acting as champions for pupils and parents)
- preventing underperformance and helping schools go from good to great (strengthening the infrastructure that supports all schools and their leaders to collaborate effectively, with a focus on areas of chronic, persistent underperformance)
- high expectations and a world-leading curriculum for all ('establishing the national curriculum as an ambitious benchmark which autonomous academies can use...'; embedding reforms to GCSEs and A levels and ensuring that the vast majority of pupils study the English Baccalaureate; and meeting the needs of previously neglected groups of children)
- fair, stretching accountability, ambitious for every child (with an emphasis on the progress of pupils and their destinations; inspection increasingly focused on underperformance, and Ofsted consulting on removal of separate graded judgements on the quality of teaching, learning and assessment to help clarify that the focus of inspection is on outcomes; and new performance tables for multi-academy trusts - MATs)
- the right resources in the right hands (including a national funding formula for schools, weighted by the level of challenge).

The White Paper is accompanied by a document describing the [DfE strategy 2015-2020](#), an [impact assessment](#) and a [paper](#) describing the methodology for defining 'achieving excellence areas'. At the same time, [letters](#) were sent to DCSs and academy trust chairs (by the Secretary of State and the Parliamentary Under Secretary respectively), introducing the white paper and outlining the Government's expectations.

Meeting / Date	<b>SCHOOLS FORUM 23 March 2016</b>	Agenda Item	2
Report Title	<b>High Needs Funding Reforms Consultation</b>		
Decision/ Discussion/ Information	For Information and Decision		
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Appendices	<b>Appendix A:</b> Full Copy of Consultation Stage 1 <b>Appendix B:</b> Full Copy of Technical Note <b>Appendix C:</b> Questions Summary		

## 1. SUMMARY

- 1.1 On 3 March 2016 the Government launched the consultation on High Needs Funding Reforms. This consultation document is the first phase of a two part consultation exercise.
- 1.2 The consultation is for a range of organisations and individuals including schools and parents of children and young people with SEND. The intention is to take into account the views expressed in response to the first phase on rationale and principles for the building blocks of the formula and then to consult on proposals for weightings and values for the formula factors in the second phase.
- 1.3 The Department for Education (DfE) will publish the second phase for consultation later in the spring or over the summer.
- 1.4 The first stage of the consultation ends on 17 April 2016. The timing of the second phase has not yet been published.
- 1.5 This consultation runs alongside a separate consultation on proposals to introduce a national funding formula for schools.
- 1.6 This report highlights the key proposals and rational of the consultation. It is not possible to fully quantify the effects of the proposed changes until the second stage later this year.
- 1.7 The consultation document and online response form are available electronically and can be downloaded from:  
<https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform>

Schools and parents are able to questions and submit their comments on the issues highlighted in the consultation.

- 1.8 A full copy is attached as Appendix A, technical notes as Appendix B and a question summary as Appendix C.

## 2. RECOMMENDATIONS

### 2.1 Schools Forum approves:

- Delegation to the High Needs Block (HNB) Inclusion group to submit a consultation response on their behalf.

### 2.2 Schools Forum notes:

- That this report highlights key proposals in the DfE's High Needs Funding Reforms Consultation and ;
- How they may affect Waltham Forest Local Authority and its stakeholders of High Needs funding in relation to principles and rationals proposed.
- It is not possible to quantify effects of the consultation until after the second phase.
- The Inclusion Group has agreed to retain **£1.2 million** of the cumulative underspend until the position for 2017-18 and beyond becomes clearer.

## 3. REASON

- 3.1 The LA is required to consult with Schools Forum on an annual basis regarding HNB funding and how this is distributed to meet pupils' special educational needs. Furthermore the LA wishes to continue working with its partners in determining how HNB funding is best utilised.

- 3.2 This consultation proposes fundamental changes to methodology on the distribution from national to local level of the HNB using a more formulaic basis.

## 4. BACKGROUND

- 4.1 The consultation has 14 questions - See Appendix C. Essentially the consultation is about:

- Why changes are required.
- The move towards a formula method of distributing High Needs funding.
- Improvements to the current funding arrangements at local level.

### Why Changes are needed

- 4.2 Over the past five years there have been significant changes to the education funding arrangements to support children and young people with SEN and SEND. The Children and Families Act 2014 places new statutory duties on local authorities such as replacing SEN statements and learning difficulty

assessments with integrated 0-25 education, health and care needs assessments and plans.

- 4.3 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.
- 4.4 When the High Needs funding reforms were introduced in 2013, a decision was taken by the DfE, in the interests of maintaining stability, to continue to allocate the HNB to local authorities on the basis of historic spending levels.
- 4.5 The DfE state that historic spend does not appear to match very closely with current levels of need. The DfE also believe that the current distribution of the HNB funding is not sufficiently transparent, objective or fair.
- 4.6 Therefore the DfE have put forward a proposal to move from a distribution based on historic levels of spending to a formula-based allocation.

#### **The move towards a formulaic distribution of High Needs funding**

- 4.7 The DfE proposal for a High Needs formula is built on the research and analysis that Isos Partnership carried out.
- 4.8 The Isos analysis have proposed that a small number of factors relating to health, disability, low attainment and deprivation if used in a formula distribution will correlate much more closely to the measures of need than the current distribution.
- 4.9 Building on the Isos proposal the DfE are further including a population element, reflecting that in any population cohort there will be a small percentage of children and young people with high needs.
- 4.10 The DfE proposes that for at least the first five years the formula should contain a significant element of funding based on what each local authority is currently spending on high needs.
- 4.11 This is to allow time for local authorities to make the adjustments that are needed for the future; it will also allow the DfE to undertake further research and evaluation before taking a decision on whether and how to progress further with formulaic distribution.

#### **Improvements to the current funding arrangements at local level**

- 4.12 Under the proposal the existing system of mainstream schools being required to meet the mandatory £6k per annum for all pupils with SEN from their schools budget will continue.

- 4.13 The Isos report recommends the removal of the current concept of notional SEN budget. The reason for this is that LA's currently calculate their schools' notional SEN in varied ways which has not proved to be helpful for schools. However the DfE believes that some way of identifying how much of a school's budget might be appropriate to spend on children with SEN is helpful to schools as they decide on their spending priorities. Hence in the meantime the DfE proposes to retain the current concept of notional SEN. It is not clear the time scale of the retention of this principle.
- 4.14 In the current system Special Resource Provisions (SRPs) are funded at £10k per place from the HNB. It is proposed that the current place led funding is replaced by a new arrangement. The pupils in the unit will now be included in the count for the schools block and will separately also receive place funding of £6k.
- 4.15 It is proposed that Independent Special Schools should be given the opportunity of receiving a grant from the Education Funding Authority (EFA) for place funding at the rate of £10k per place per annum.
- 4.16 The existing process for funding early intervention and SEN support packages in early years settings from Early Years and HNB shall continue until the DfE seek views on how both lower level and high needs are given the best start in their education.
- 4.17 The DfE proposes to revise place-led funding for post 16 institutions. Where there are a small number of High Needs students the DfE proposes to include these numbers in formula allocation for the institution. This will bring pre-16 and post-16 place funding in line with one another.
- 4.18 It is proposed that special post-16 institutions and non maintained special schools are funded in the same basis as special schools, at £10k per planned place. The top-up funding will be provided above this level so that there is consistency with post-16 places in special schools.

## 5. Implications and risks on the High Needs Block (HNB)

- 5.1 As well as the consultation exercise the DfE are seeking to establish baselines in relation to actual spending patterns in Local Authorities for 2016-17. Early indications are that this will amount to a £490k loss for the HNB. In the light of this, the Inclusion Group has agreed to retain **£1.2 million** of the cumulative underspend until the position for 2017-18 and beyond becomes clearer.
- 5.2 The DfE acknowledge that a change to a formula method of distributing funding from National to Local level will come with its own challenges. In order to minimise the disruption there will be **an element** of 2016-17 spend on SEN in the national formula for **at least the next five years**.
- 5.3 Effectively there will be three main components to the formula:

- (a) Basic unit of funding for specialist provisions

(b) A proportion of funding will be based on the planned High Needs expenditure in 2016-17 – The Baseline Year – this amount will be maintained at a cash level in succeeding years

(c) The remaining amount of overall funding will be distributed according to fixed proportions for each of the formula factors using proxy indicators.

The element of the formula in a) & c) above could be subject to area cost adjustment (An adjustment to support schools which have to pay higher salaries because of location).

*For details refer to a separate report on the agenda: Schools National Funding Formula Consultation Report, Appendix A, Chapter 2, Factor 12, Page 31.*

- 5.4 The re-basing calculations assumes that the Schools Block allocations are fixed in relation to the total DSG informed on 17 December 2015. In the case of Waltham Forest this results in an estimated deduction from the HNB of £490k. This will result in a cost pressure on the HNB.
- 5.5 The formula will include adjustments to reflect cross-border movement of pupils and students, i.e. to reflect the cost of funding places in specialist or inclusive provision located in the local authority area, which are occupied by pupils or students from outside the area. The formula will also make adjustments for places commissioned in non-maintained special schools and post-16 students. This will be a benefit to the LA as we are a net importer of pupils.
- 5.6 Under the new proposals the scope for moving funds from Schools Block to HNB will no longer be allowed. In January 2016 Schools Forum agreed to waive the transfer of £214k from Schools Block to HNB for 2016-17 only. This transfer was in response to the change in legislation of funding Pupil Referral Units and Alternative provision from £8k to £10k per place. As the result of the re-basing exercise this transfer cannot happen in future leaving a gap in the HNB.
- 5.7 As it is not possible to quantify effects of the consultation until after the second phase, the LA proposes to update schools forum on developments as soon as practicable.

## **6. CONSULTATION**

- 6.1 The LA has briefly brought this consultation to the attention of the HNB Inclusion Group and will have further discussions at the meeting on the 12 April 2016.

# High needs funding formula and other reforms

## Government consultation – stage one

**Launch date 7 March 2016**

**Respond by 17 April 2016**

### Respond online

To help us analyse the responses it is important that you use the online system wherever possible.

### Other ways to respond

If, for exceptional reasons, you are unable to use the online system, for example because you use specialist accessibility software that is not compatible with the system, you may download a word document version of the form and email it or post it.

### By email

To: [HighNeedsFunding Reform.CONSULTATION@education.gsi.gov.uk](mailto:HighNeedsFundingReform.CONSULTATION@education.gsi.gov.uk)

### By post

To: Funding Policy Unit  
Department for Education  
Bishopsgate House  
Feethams  
Darlington  
DL1 5QE

### Deadline

The consultation closes on 17 April 2016.

## **Question 1**

Do you agree with our proposed principles for the funding system?

## **Question 2**

Do you agree that the majority of high needs funding should be distributed to local authorities rather than directly to schools and other institutions?

## **Question 3**

Do you agree that the high needs formula should be based on proxy measures of need, not the assessed needs of children and young people?

## **Question 4**

Do you agree with the basic factors proposed for a new high needs formula to distribute funding to local authorities?

## **Question 5**

We are not proposing to make any changes to the distribution of funding for hospital education, but welcome views as we continue working with representatives of this sector on the way forward.

## **Question 6**

Which methodology for the area cost adjustment do you support?

## **Question 7**

Do you agree that we should include a proportion of 2016-17 spending in the formula allocations of funding for high needs?

## **Question 8**

Do you agree with our proposal to protect local authorities' high needs funding through an overall minimum funding guarantee?

## **Question 9**

Given the importance of schools' decisions about what kind of support is most appropriate for their pupils with SEN, working in partnership with parents, we welcome views on what should be covered in any national guidelines on what

schools offer for their pupils with SEN and disabilities.

## **Question 10**

We are proposing that mainstream schools with special units receive per pupil amounts based on a pupil count that includes pupils in the units, plus funding of £6,000 for each of the places in the unit; rather than £10,000 per place. Do you agree with the proposed change to the funding of special units in mainstream schools?

## **Question 11**

We therefore welcome, in response to this consultation, examples of local authorities that are using centrally retained funding in a strategic way to overcome barriers to integration and inclusion. We would be particularly interested in examples of where this funding has been allocated on an “invest-to-save” basis, achieving reductions in high needs spending over the longer term. We would like to publish any good examples received.

## **Question 12**

We welcome examples of where centrally retained funding is used to support schools that are particularly inclusive and have a high proportion of pupils with particular types of SEN, or a disproportionate number of pupils with high needs.

## **Question 13**

Do you agree that independent special schools should be given the opportunity to receive place funding directly from the EFA with the balance in the form of top-up funding from local authorities?

## **Question 14**

We welcome views on the outline and principles of the proposed changes to post-16 place funding (noting that the intended approach for post-16 mainstream institutions which have smaller proportions or numbers of students with high needs, differs from the approach for those with larger proportions or numbers), and on how specialist provision in FE colleges might be identified and designated.