

## **High Needs Funding Reform Consultation Stage 2 - Closing Date 22<sup>nd</sup> March 2017**

### **Overall Approach**

- 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?**

Yes

**No**

Please explain your reasoning and any further evidence we should take into account:

f40 believes that the national funding formula system proposed does not strike the right balance between fairness and stability. We think that it rewards some local authorities and penalises others at a time when the majority of authorities are experiencing difficulty managing significant unfunded budget pressures.

f40 believes that any new High Needs funding system that is introduced must be sufficient to support the needs of young people currently in the system as well as those young people who will access it in the future. The system must therefore be sufficiently flexible to respond to changes in need.

There still appears to be a lack of evidence as to how the proposed funding aligns with Department for Education legislation on High Needs pupils, (e.g. medical needs) and that consideration has been given to tribunal outcomes and case law. The legislation also talks about 'parental confidence' and personal budgets, but there doesn't appear to be any reference to these areas in the consultation.

Further guidance is required on how the funding system will allow for new schools/provision – how will this be funded?

### **Formula Factors**

We are proposing a formula comprising a number of formula factors with different values and weightings.

We ask respondents to bear in mind with each question on this page that we are redistributing funding. Any money that we put into one factor will have to come from another factor. We have indicated what we think is the right proportion or amount for each factor.

- 2. 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 (Pages 29-30)**

Allocate a higher proportion

The proportion is about right

Allocate a lower proportion

Please explain your reasoning and any further evidence we should take into account:

f40 is concerned that if the baseline is taken from 2016-17 it will not reflect local decisions and increases in costs for 2017-18 which most local authorities have to manage and fund through transfers from the Schools Block.

We believe it to be naive of the Department to question in the consultation the need of local authorities to transfer further funding from the Schools Block into High Needs following the re-basing exercise in 2016-17. The High Needs budget pressures experienced by the majority of local authorities is showing no signs of diminishing and, therefore, it is important that the current historic spend factor, updated for decisions taken locally in 2017-18, is included in the NFF formula.

We are unable to comment whether the 50% proposal is right as there doesn't appear to be any evidence/basis for why the amount is set at 50%.

**Basic entitlement - To allocate to each local authority £4,000 per pupil (Pages 30-31)**

**Allocate a higher amount**

The amount is about right

Allocate a lower amount

Please explain your reasoning and any further evidence we should take into account:

f40 believes that the basic entitlement should be set at £10k per pupil to reflect the current costs of those pupils already in Special School provision and also to reflect growth in Special School provision into which some authorities have invested capital funding.

We strongly disagree with the Department's view that setting the value at £10k creates a perverse incentive in the funding system for local authorities to place a higher proportion of their children and young people with special educational needs (SEN) and disabilities in special schools.

Setting the figure at £4k penalises those authorities that have already invested heavily in in-house Special School provision to meet the needs of local children.

In reality local authorities will prefer in-house Special School provision as opposed to more costly independent out of county provision, not only as its better value for money, but also because it means SEN children spending less time travelling to school.

**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% (Page 33)**

**Allocate a higher proportion**

The proportion is about right

Allocate a lower proportion

Please explain your reasoning and any further evidence we should take into account:

Over the years f40 member authorities have looked at many different data sources for distributing High Needs funding and 'pupil population' is the one that we consistently return to as a fair and reasonable basis for distributing funding. This is because it has a high correlation with overall need at local authority level. Therefore, we fully support the inclusion of this factor in the High Needs formula, but we would like to see a much larger weighting applied to this factor.

Historically, at a local level, we have found examples of using proxy indicators to identify High Needs pupils problematic so it's vitally important that the correct indicators and weightings are applied.

**Free School Meals (FSM) Eligibility – 10% (Pages 33-34)**

Allocate a higher proportion

The proportion is about right

**Allocate a lower proportion**

Please explain your reasoning and any further evidence we should take into account:

f40 has concerns about the use of this factor and, in particular, about potential turbulence in the data from one year to the next. Therefore we believe that if the Department is to include this factor, it should allocate a lower proportion of the total available funding. This view is supported by our answer to Question 3 above regarding the use of the 'pupil population'.

In addition, we are aware that the 'children in poverty 0-15' indicator is reviewed annually by HMRC and could be used as a possible measure.

**Income Deprivation Affecting Children Index (IDACI) - 10%**

Allocate a higher proportion

The proportion is about right

**Allocate a lower proportion**

Please explain your reasoning and any further evidence we should take into account:

As above

**Key Stage 2 Low Attainment – 7.5% (Page 34)**

Allocate a higher proportion

The proportion is about right

**Allocate a lower proportion**

Please explain your reasoning and any further evidence we should take into account:

As above

Low attainment at KS2 – what about early developmental issues? There is no national data set for low incidence needs.

**Key Stage 4 Low Attainment – 7.5% (Page 34)**

Allocate a higher proportion

The proportion is about right

**Allocate a lower proportion**

Please explain your reasoning and any further evidence we should take into account:

As above

**Children in Bad Health – 7.5% (Page 34)**

Allocate a higher proportion

The proportion is about right

**Allocate a lower proportion**

Please explain your reasoning and any further evidence we should take into account:

“Children not in good health” – ‘DFE Research report: Research on funding for pupils with special education needs’ July 2015 page 47 states: Children wellbeing index’ was published in 2009 and not updated since and census data is every 10 years. Therefore considerable lag of information for schools and Local Authorities.

**Disability Living Allowance – 7.5% (Page 34)**

Allocate a higher proportion

The proportion is about right

**Allocate a lower proportion**

Please explain your reasoning and any further evidence we should take into account:

We are concerned about the use of Disability Living Allowance (DLA) in the High Needs formula as DLAs are self-referred so in our view this is not a sufficient measure. We are also concerned that it some non-physical disabilities take longer to diagnose and therefore believe that DLA may not adequately capture such children.

### **Funding Floor**

- 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 the consultation document. (Pages 35-37)**

**Yes**

No

Please explain your reasoning and any further evidence we should take into account:

Given national pressures on High Needs funding it is unlikely that any local authority could manage with lower levels of funding than they currently receive, so f40 fully supports the principle of a floor that results in no authority losing funding from these proposals.

However, we are very concerned about the years following the introduction of a High Needs national funding formula. Our assumption, in the absence of any information to the contrary, is that local authorities in receipt of a funding floor allocation will not receive any share of growth funding in future years until the funding floor protection has been eroded (similar to the way Schools MFG protection works).

For some authorities, this will mean a number of years of absolute flat High Needs allocation at a time of unprecedented growth. Such authorities may have in the past considered transferring DSG from the Schools Block to meet such pressure but this flexibility is proposed to be removed.

This is a major concern to f40 and one that we believe the Department must reconsider as there is the real risk that we will see a significant number of local authorities looking to cut their High Needs costs to remain within budget (which in practical terms is very difficult once children have been placed) and these cuts will affect some of our most vulnerable children.

- 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? (Pages 35-37)**

**Yes**

No

Please explain your reasoning and any further evidence we should take into account:

Yes. We support the setting of the floor so that no local authority sees a reduction in their High Needs funding. Our support is on the basis that local authorities will be spending their current High Needs allocation and it is very difficult to change the arrangements for children who are already placed and are settled in their school/educational institution.

### **Local Budget Flexibility**

- 6. Do you agree with our proposals to allow limited flexibility between schools and high needs budgets in 2018-19? (Pages 41-44)**

Yes

**No**

Please explain your reasoning and any further evidence we should take into account:

Overall, f40 is extremely disappointed with the limited flexibility proposals. We believe the additional requirement to get the majority of schools approval is unnecessary and adds additional bureaucracy at a time of diminishing resources.

f40 believes that until the 'hard' national funding formula is introduced in 2019-20, the transfer of funds between blocks should remain a Schools Forum decision without the need to undertake a costly all-school consultation. This facility is an essential option that should be available to local authorities to manage the overall DSG system.

It is vitally important that for the future the Department provides adequate annual increases in the High Needs block to fully fund the year on year pressures.

**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?**

We are developing our proposals on the level of flexibility to allow in the longer term. We will consult fully on our proposals at a later stage, but would welcome any initial comments now.

We believe that future increases in High Needs block funding should reflect not only inflationary increases but also pupil growth. If local authorities were to be funded appropriately, there would be no need for continued flexibility.

**Further Considerations**

**8. Are there further considerations we should be taking into account about the proposed high needs national funding formula?**

It is proposed that the transfer from the High Needs block into Schools block for pupils in Specialist Resource Provision (SRP) is based on place numbers. We do not think this is fair and would recommend that this adjustment is based on actual pupil numbers in the SRP instead.

**Equalities Analysis**

**9. Is there any evidence relating to the 8 protected characteristics identified in the Equality Act 2010 that is not included in the equalities impact assessment and that we should take into account?**

None that we are aware of.