

## Appendix 1

### Review of National Funding Formula for allocations of high needs funding to local authorities: changes for 2022-23 – Draft Consultation Response

#### Question 1 – Historic Spend Factor

**Proposal:** The historic spend factor in the high needs national funding formula is the main proxy we currently use for local circumstances that can significantly affect local authorities' levels of spending on high needs, and that takes time to change. This formula lump sum is calculated using 50% of each local authority's planned expenditure on high needs in 2017-18, reported by local authorities.

We now have access to actual spending data from 2017-18. We therefore propose replacing the current lump sum included in the formula calculation with an amount calculated on the basis of actual expenditure in 2017-18, as reported by each local authority.

**Do you agree that we should replace the current lump sum included in the formula calculation with an amount calculated on the basis of actual local authority expenditure, as reported by each local authority?**

- Agree
- Disagree
- **Unsure**

#### Comments

- At a local level this is unlikely to impact significantly as spend and budget were not significantly different in the base year of 2017-18, however overall it is likely to increase the amount allocated within the high needs NFF through historic spend rather than current factors. This will, in turn, reduce the amount available to allocate through indicators of current need.
- Significant changes to the types and complexity of needs for children, services and support required has occurred since 2017-18, therefore, funding being allocated on this basis will not be reflective of current circumstances. The use of historic spend within the formula was initially intended to be an interim protection measure.

#### Question 2 – Historic Spend Factor

**Proposal:** The historic spend element of the high needs NFF has remained at a cash-flat level since the introduction of the national formula in 2018-19, moving from 44% of the overall formula funding in 2018-19 to 34% in the 2021-22 formula as that total funding has increased. Some local authorities may not have been able to change their spending patterns to keep pace with the percentage reduction in this factor, despite the protection afforded by the funding floor minimum increase of 8% this and next year. We are therefore considering whether to increase the proportion of funding allocated through this factor, alongside using actual expenditure amounts.

Using actual expenditure from a more recent year, and leaving the percentage at 50%, would increase the amount of the lump sum, but we are not proposing to do this as we are

clear that local authorities' actual spending now or in future should not determine how much funding they receive. We could, however, increase the significance of this factor in the 2022-23 formula, by increasing the percentage of 2017-18 spending that is applied, allowing for a more gradual rate of change in the local pattern of spending.

**Do you think that we should increase the percentage of actual expenditure in 2017-18 included in the funding formula calculation, or leave it at 50%?**

- Increase the percentage
- **Keep the percentage at 50%**
- Decrease the percentage
- Unsure or other

Comments

- Steps have been taken by the DfE to reduce the percentage allocated by historic spend in recent years, so it is unclear why it would now consider reversing this approach.
- As outlined in Q1, historic spend is not reflective of the current needs of children or equitable access to services and support required, therefore, it is difficult to justify a large proportion of the total funding being allocated on this basis. Increasing the percentage allocated by historic spend will mitigate against the formula recognising changes in need. Keeping it at 50%, or reducing, will decrease the proportion of historic spend reflected in funding allocations as high needs allocations grow.
- A formula allocating funding towards need but including continued protection through elements such as a funding floor would be more equitable whilst still giving local authorities time to shift historical types of provision where they are no longer meeting need.

### **Question 3 – Historic Spend Factor**

**Proposal:** We are aware that the continued use of historic spend is not the perfect long-term solution for reflecting the patterns of local demand and supply that affect spending on high needs, as those patterns will naturally change over time.

As part of the funding formula review that we are carrying out, and for consideration as we develop that formula in the years after 2022-23, we are therefore seeking views on potential alternatives to the historic spend factor. Any new factors would need to be appropriate for a funding formula (e.g. the data used should be collected on a consistent basis) and would also need to avoid creating a perverse incentive (e.g. to spend more on a certain type of provision so as to gain more funding, rather than to improve the quality or appropriateness of provision).

**To what extent do you agree that the funding formula should include factors that reflect historical local demand for and supply of SEND and AP provision? If you have any suggestions for such factors that could eventually replace the historic spend factor.**

- Strongly agree
- Agree
- Neither agree nor disagree

- Disagree
- Strongly disagree

#### Comments

- Historic spend is not reflective of the current needs of children with the increases in provision post-19 and increases in demand for support for children with ASD and SEMH needs being particular examples. In addition, access to services and support for young people have been heavily influenced by the historic level of funding available, leading to inconsistent levels of provision. It would be more equitable for this to be managed out of the formula over time with appropriate protection within the formula to recognise that significant shifts in provision take time to deliver and may have capital funding implications.
- The biggest driver of funding on a formulaic basis should be population, as is the case in the schools block NFF. The current formula uses 0-18 population and it is important that a way to reflect need across the 0-25 population is incorporated into the formula as the high needs block is meeting costs for that age group.
- The formula also needs to include additional factors that reflect additional needs whilst not creating perverse incentives, such as the number of Education Health and Care Plans as a driver for funding.

#### Question 4 – Low Attainment Factor

**Proposal:** The high needs NFF uses low attainment at both key stage 2 and key stage 4 as a proxy indicator for SEND. This figure is calculated using an average of results over the most recent 5 years of tests and exams, which, for the 2022-23 formula, would have meant using test and exam results from 2016 to 2020. Due to the COVID-19 pandemic, the 2020 key stage 2 tests and GCSE exams were cancelled. This has resulted in no key stage 2 data, and GCSE data that would be inappropriate to use because of the inconsistencies with the results from previous years.

We have considered using the same data as used to calculate last year's attainment formula factors, but this would mean data from more than 5 years ago. Instead, we propose to calculate low attainment by using data from 2016 to 2019, but then to double the weighting of the most recent exam data from 2019. This method could be used for a further year, assuming the 2021 test and exam results are also not able to be used for this purpose.

**Do you agree with our proposal to update the low attainment factors using data from 2016, and to substitute the most recent 2019 data in place of the missing 2020 attainment data?**

- Agree
- Disagree - calculate in the same way as last year
- Disagree - Other
- Unsure

#### Comments

- We agree that the attainment data in the formula needs to be updated and that the most recent data should be reflected but have some concerns about doubling the weighting for a single year in the formula.
- An alternative approach would be to take the average of the 2016-2019 period, which would smooth out any potential anomalies in a single year rather than put such a heavy emphasis on a single year in the formula.

### **Question 5 – SEND and AP Proxies**

**Proposal:** The high needs national funding formula uses six indicators which together act as a proxy for the level of more complex SEND, and need for alternative provision (AP) in an area. These indicators include: a measure of the local population of children and young people, the two low attainment measures (key stage 2 and key stage 4) referred to in question 4, two health and disability measures (the number of children in bad health and the number of families in receipt of disability living allowance), and two deprivation indicators (the number of children eligible for free school meals and a local area deprivation measure).

Numbers of EHC plans are not to be used as a robust indicator of underlying need because the way they are used varies considerably across local areas, and the number of plans is therefore not necessarily directly associated with the local authority's need to spend. The ongoing SEND review is considering whether system changes are needed to provide more consistency in EHC needs assessment and planning process, and to improve other aspects of the SEND arrangements.

Following the SEND review, we will consider whether consequent changes to these proxies that we use in the funding formula, as well as other funding changes, would be appropriate, as it is important that the proxies used support local authorities to deliver the outcomes of the review. At this stage we are keen to understand whether there are new factors, either that could replace existing factors that have become out of date or otherwise unreliable, or that could be added to the formula to address types or prevalence of identified need, and we would welcome views.

**If you wish to offer ideas on factors that could be added to the current formula, or that could replace the current proxies, please provide further details**

- As outlined in Q3, data needs to be reflective of need and not create perverse incentives in the system. There needs to be an evidence base for the use of factors to reflect additional needs.
- The wider review of SEND should impact on the proposed proxy measures.

