

**Response to Stage 1 of DFE/EFA Funding Consultation on Schools National Funding Formula - 7 March to 17 April 2016**

**Consultation on High needs funding reform 7 March to 17 April 2016**

The DfE is seeking views by Sunday 17 April 2016 on proposals on the way that high needs funding is distributed, and other ways it can support the administration of funding for pupils and students with special educational needs (SEN) and disabilities, and for those who are in alternative provision (AP).

Draft answers to questions:-

**Question 1**

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

The principles outlined in the consultation are mostly valid, but the reality of making High Needs funding fair and simple is unlikely. This area of cost is the most under-funded within the North West of England based on our discussions with other Councils.

The timing and length of this first consultation is not appropriate, as Schools across the country have been on their Easter break. For the second stage of the consultation the DFE/EFA need to ensure that it is at least 10 weeks and that it is not carried out over the Summer break.

**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?

The use of the word majority is unhelpful as it is too vague. For clarity all of the High Needs funding with the possible exception of Place funding for Academies and NMSS should be directed to Local Authorities. This should only change if the Council's responsibility for assessing and meeting the needs of this group of children and young adults is reduced or removed.

**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?

No – The system should ideally be a combination of the two methods. Proxy measures are helpful for assessing low cost high incidence SEN, but not for high cost low incidence SEN.

It is understandable that there is a desire to avoid creating perverse incentives for overstating the needs of children, but a process as important as Education and Health Care plans should not be completely ignored as a driver for funding.

**Question 4**

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

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As previously stated the correlation between proxy indicators and high cost low incidence SEN is highly questionable. Comments about the specific measures are shown below immediately after each factor.

In addition to the comments below consideration needs to be given to how this information will take proper account of children with SEN at Nursery age.

A significant number of Special Schools were constructed under the BSF PFI initiative and therefore their obligations in respect to these contracts are the same as mainstream Schools. It is essential that schools/academies are funded in full for their PFI liabilities and that this is adjusted annually to keep pace with contractual obligations. Without this schools and academies with PFI arrangements will be severely disadvantaged and in some instances may not be viable.

As discussed within the consultation documents, Schools rebuilt under building schools for the future and PFI schemes are tied into long contractual arrangements through the local authority, affecting facilities management, repairs and maintenance and many other aspects of basic school running costs. Each school in each local authority has a different arrangement for meeting these costs, depending on the nature of the contract and the balance between delegated funding, local authority contribution and specific grant.

Allocating on the basis of local authorities' historic spend on PFI in 2017-18 and 2018-19 would not be appropriate as LA's and governors are contractually obliged to fund inflationary costs as specified within agreements and this should be fully funded by the DfE if moving towards a national formula.

This would need to be done on a scheme by scheme basis as these contracts are complex and vary considerably from one scheme to another.

- **Basic entitlement for pupils/students in special schools and post-16 institutions:** to provide a basic per pupil/student entitlement (e.g. £4k per pupil/student) for each child or young person in a special school, special academy and special post-16 institution (SPI) Funding for maintained special schools and academies goes to local authorities, and for non-maintained special schools and SPIs to the EFA – this measure has some validity, but it should be set at a higher rate for High needs using the £10,000 place funding as a basis. It also needs to take account of any temporary place increases at this full £10,000 rate.
- **Population factor:** use of ONS data – estimated number of children and young people in the 2 to 18 range. Increases in population will be reflected in increased allocations to local authorities. – this should take account of the full age range that High Needs funding is required to support and therefore needs increasing to age 25
- **Health and disability:** use of “children not in good health” population census data and disability living allowance data as indicators. – further detail is required in order to assess whether this data is complete and therefore comparable across the country, otherwise it is potentially very misleading.

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- **Low attainment factors:** pupils not achieving level 2 in reading at the end of KS2, and pupils not achieving 5 A\*-G GCSEs at KS4, or equivalent standards as changes are made. – this is a valid measure, but possibly needs extending to include more SEN specific attainment factors if it is to be representative of real needs
- **Deprivation:** use of pupils eligible for free school meals (FSM), and the IDACI measure currently used in local schools formulae. – this should include reference to FSM Ever 6 to ensure that it captures historic deprivation as well
- **Adjustments for net “imports/exports”:** to reflect costs/savings to a local authority’s high needs budget of any imbalance created by cross-border placements. – yes this is supported
- **Area cost adjustment:** general labour market data or taking account of the relative costs of teachers’ pay in different areas. . – see response to question 6 below

### **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?

There is insufficient evidence to demonstrate that Schools in the areas that would receive allocations through ACA have demonstrably higher costs than Schools in areas that would not receive an ACA.

However, if an ACA is to be used then it needs to be based on a Hybrid methodology that takes account of all relevant costs which can be achieved through the use of Schools Consistent Financial Reporting data.

Furthermore, in terms of regional differences, the levels of charging paid in the North West of England (United Utilities area) for surface water drainage charges is significantly different than that that paid in other areas of the Country. It is understood that from DFE records on schools expenditure on water and sewerage charges, the North West region pays £27 million per year compared to just £11 million per year in the South East. Both these areas have almost identical numbers of schools and pupils yet in the North West, schools budgets cumulatively must pay £16 million pounds more. We request that the DfE takes this regional difference into account in the developing funding formula until there is an equity in the liabilities faced by schools in the North West Region.

### **Question 7**

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

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Yes – this will be essential to ensure that any allocation changes do not cause immediate and substantial damage to current provision. It is possible that a tapered block MFG would help in this situation.

### **Question 8**

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

Yes - As described in the response to question 7 above a block level MFG is required, that excludes any growth related increases.

### **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.

It is not clear whether the question is focused on low incidence high cost SEN or high incidence lower cost SEN? In either instance the solutions should be co-produced with parents and pupils and local context should be taken into account.

Whilst national guidelines may prove useful they do need to be educationally defined and provision should be locally determined dependant on context.

### **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?

Yes – but this system would need to take into account actual pupil movements during each year. It would also need to allow for the review of place requirements at a local level.

### **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.

No response

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**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.

No response

**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?

No – this would potentially result in substantial amounts of place funding being lost if places are not subsequently filled. If this was to be imposed then there needs to be a clawback mechanism and transparent controls placed over pricing of Top-up payments to ensure they take account of Place funding.

**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.

The proposal is to treat Post 16 providers like Pre 16 resourced units. That means providers would be identified to meet the needs of specific students. The main issue is that in Post 16 provision the number of settings with relatively small numbers of high needs students are high. Therefore, small changes in numbers will have an impact on future commissioning of places. For large FE colleges this process makes sense, but for smaller providers it is likely to create an issue.