

## APPENDIX 1

### HIGH NEEDS REVIEW – UPDATE TO SCHOOL FUNDING GROUP

#### 1. INTRODUCTION

- 1.1. The High Needs budget continues to face significant pressures, both in financial terms and growth in demand for places. An update provided to Schools Forum in September showed the in-year deficit by the end of 2020-21 on the High Needs Block could be circa. £3.6m. In addition, and despite provisional allocations for 2021-22 showing an increase in High Needs funding of £2.9m, we are still facing an in-year deficit of £2.6m before any Schools Block transfer (reducing to £1.8m if a Schools Block transfer of 0.5% is actioned).
- 1.2. Work has started on the High Needs review and the sections below give an update on some of these, as well as outlining some priorities over the next couple of terms.

#### 2. COMMISSIONED PLACES

- 2.1. There is a significant pressure on the number of places currently commissioned and a number of Providers have raised concerns on the numbers of funded places they will receive for the remaining seven months of this academic year and into 2021-22 academic year.
- 2.2. Commissioning of places generally takes place September/October each year and the LA then has to submit a formal 'Change Place Request' by the 13 November to the EFSA detailing any changes to commissioned places in academies and Post 16 Providers.
- 2.3. LAs have local flexibility to change funded place numbers at maintained schools and PRUs, and these numbers should be included on each authority's section 251 budget return for 2020 to 2021.
- 2.4. Place-funding allocations for non-maintained special schools and SPIs will be based on their latest R06 ILR return and allocated direct from the EFSA.
- 2.5. The High Needs guidance states *'Place funding is allocated as an annual amount of core funding. Once place funding is allocated, it is not associated with or reserved for a specific local authority or individual pupil or student. It is for the institution to decide how best to apportion their total allocated core funding across the actual number of places commissioned by local authorities, taking into account the provision and support that may be specified in the individual pupils' or students' EHC plans'*.
- 2.6. Annually commissioned place funding aims to give the provider a degree of financial stability and an LA must not seek to recover any funding it perceives as being unused. Similarly LA's should not automatically be charged an extra £6,000 or £10,000 per head if an provider has filled all funded places and this should be irrespective of which LA has filled them.
- 2.7. There is an expectation on LAs that where a provider exceeds the number of places funded and the additional costs can't be met from top up funding that the LA engage and agree how the additional costs of the specialist provision can be met.

- 2.8. The LA should not automatically be charged an additional £6,000 or £10,000 per pupil and any additional funding agreed should reflect the actual costs of making additional special provision available, which may only be marginal.
- 2.9. Any place commissioning should be carried out by the home LA.
- 2.10. The import/export adjustment compensates the LA for actual pupils living in other LAs areas although this will be in the following financial year. This will avoid the position where the commissioning LA effectively funds twice – both through increased top-up funding direct to the provider and through the £6,000 import/export adjustment in the national funding formula. These arrangements apply in particular to FE institutions and special schools that are experiencing year-on-year growth in the number of pupils and students with high needs that they admit.

**3. SPECIAL SCHOOLS – COMMISSIONING PLACES**

- 3.1. Demand for special school places has increased significantly in some schools over the last 2-3 years. Work is currently on-going with special schools to agree the places for September 2021 and current places are shown below.
- 3.2. In December 2018, we did start to have discussions with special schools around how over capacity would be funded going forward. A number of options were discussed which included:
  - (1) Not funding the first 5 places over commissioned numbers
  - (2) Applying a % threshold before additional place funding kicked in
  - (3) Funding some over-capacity place numbers at £5k rather than £10k.
- 3.3. None of the above scenarios were implemented, mainly because at the time special schools were seeing significant increases in demand for places and, to an extent, this is still the case currently. However, the data is also showing now there is some slowing of growth along with many special schools are now operating at capacity and will not be able to increase numbers much further.
- 3.4. Schools have been advised the current arrangements in 2020-21 i.e., funding any places over commissioned numbers will be continue to be fully funded at £10k (as part of the real time movement exercise at the end of each term). However, taking into account the points above regarding capacity and stabilising numbers now is the time to review again the policy around over capacity funding arrangements for the academic year 2021-22.
- 3.5. Data collated from other North West authorities on current arrangements is included below and we are aware a number of LAs are currently reviewing how over capacity will be managed going forward.

	No of LAs	%
Fund Over Capacity at £10k pro rata	8	62%

Apply a threshold before additional Place Funding kicks in	2	15%
Only fund in Exceptional Cases	3	23%
Do not Fund Over Commissioned Places	0	0%
	13	100%

3.6. The examples below demonstrate how the options at paragraph 5.2 would impact:

**Option (1):** Do not fund for first 5 places over capacity in line with the mainstream growth criteria and acknowledgement that Growth does not **always** represent additional cost. In Example below, school is 7 places over commissioned numbers:

School Over Capacity 7 places:	Places	Amount	Additional Funding
0 - 5	0	£0	£0
6 and above	2	£10,000	£20,000
<b>Total</b>			<b>£20,000</b>

**Option (2):** Apply a % threshold to funding additional growth. This could better reflect different pressures small and larger size schools may experience.

Places funded over 5%	5%	NOR	Over Cap Places	Additional Funding
School with 100 places	5	110	5	£50,000
School with 150 places	8	159	1	£10,000

**Option (3):** Apply a sliding scale to funding over capacity. See example below where school is 9 places over commissioned numbers. The first 6 places attract places funding of £5,000 and over 7 attracts the £10,000 per place:

School Over Capacity 9 Places:	Places	Amount	Additional Funding
0 - 6	6	£5,000	£30,000
7 and above	3	£10,000	£30,000
<b>Total</b>			<b>£60,000</b>

3.7. A final option may be to include a clause in the overcapacity policy that any additional funding is assessed on an individual basis and will reflect additional costs incurred by the school until lagged funding catches up.

3.8. The High Needs Guidance referenced in paragraph 4.5 does include some further guidance on how over capacity should be managed.

- 3.9. The guidance also confirms in the same way that additional place funding may not automatically be allocated when places exceed the commissioned number it should not be withdrawn where a provider has unfilled places. However, when agreeing top up rates the LA and provider may wish to reflect economies and diseconomies of scale. For example, a provider is funded for 30 places (£300,000) and only fills 25 places it may agree with the LA to charge a lower rate top-funding to reflect the 'surplus' funding arising from its five unfilled places, which the LA has already funded.
- 3.10. The Group are asked for their views and discussion on:
- Should the overcapacity policy be reviewed in light of the High Needs guidance?
  - Is now the right time to review the policy and when, if a change were agreed, what would be the best in implementation date?
  - Views on the options presented.
  - Does the group agree the policy should apply to resourced units in the same way?