



Walsall Council

Walsall Children's Services

Report to: Schools Forum

Date: 15 June 2010

Subject: Review of the Special School Funding Formula

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Purpose of the report: To inform the Schools Forum of the review of the special school funding formula due to issues arising from the operation of the current funding model over a three year budget setting period.

Recommendation: To note the content of the report and the further work to be undertaken.

1. Introduction

- 1.1 The special schools funding formula is different to that of mainstream schools in that it is both pupil and place led. Every school must be funded for at least the number of pupils that it has on roll, but each pupil is then allocated to a funding band directly linked to a matrix of needs.
- 1.2 Issues have arisen during the first full three year budget period, 2008-2011, as it has proven very difficult to predict the amount of funding required in the later years of the multi-year budget period.

2. The current funding system

- 2.1 The current system is both pupil and place-led. Each pupil on roll is allocated to a band on the funding matrix, which is differentiated by the range of pupil needs.
- 2.2 The special schools assess each of their pupils on an annual basis to identify their current band on the funding matrix. However, there is no central moderation of the banding exercise, which means it can be subject to differences of interpretation across the schools.
- 2.3 The present system allows a high degree of fluidity as pupils move across the bandings, which makes it very difficult to predict the total funding required by the special schools in the later years.
- 2.4 The current system was designed prior to the introduction of three year budget cycles.
- 2.5 All authorities have a funding formula for special schools that is place led and mostly differentiated by the needs of pupils. For example the needs of pupils with moderate learning difficulties are very different from pupils with severe learning difficulties, and this will be reflected in the relevant band values.
- 2.6 A great deal of work was undertaken six years ago to develop the funding matrix and the associated needs. The matrix itself remains valid, therefore the review will focus on the annual assessment process and the band values.

3. The problems encountered during the 2008-11 budget period

- 3.1 The funding delegated to special schools is part of the whole school budget, which has a finite resource that is allocated in full at the start of the three year budget period. In Walsall there is a relatively small school specific

contingency, which is held for specific purposes, therefore any significant deviation from the original budget plan can cause problems.

3.2 The School Budget resource is determined by the number of eligible pupils at the January census date. If pupil numbers increase or decrease during the multi-year budget period then the Dedicated Schools Grant is adjusted accordingly. For the 2010-11 financial year Walsall drew down £4,371 for each eligible pupil. This is a composite rate that includes an allowance for high cost pupils. The value of the bands on the special schools funding matrix range from £9,443 to £22,180 per pupil, therefore any unexpected increase in pupils or upward shift across the bands can create a significant budget issue. The banding matrix allocates 80% of the special schools budget shares. Similar Increases or decreases in mainstream school pupil numbers do not create problems as they can be catered for within the funding available.

3.3 The Schools Budget must balance and the LA, in consultation with the School Forum, is required to determine how to deal with emerging budget pressures at the commencement of the three year budget period. This is because the purpose of implementing multi-year budgets is to provide schools with some degree of predictability for their medium term financial plans.

A number of problems have been experienced during the first full multi-year budget period relating to the funding of special schools. The budgets calculated for years 2 and 3 have varied because of:

- changes in pupil numbers;
- movements across the matrix bands;
- post 16 funding allocated via the LSC (now YPLA) does not meet the costs of post 16 pupils attending special schools.

3.4 A number of compensating adjustments have been required to mainstream school funding to ensure that the finite resource is not exceeded. This in itself can be a complicated process as the impact of the Minimum Funding Guarantee needs to be considered at all times.

4. Proposals under consideration

4.1 The issues raised in this report have been raised at a meeting of special school headteachers. A commitment has been given to work up a number of proposals which will be discussed in detail with special school colleagues before they are brought to the Schools Forum for consideration. Following this

process, any proposed changes will be included in the funding consultation document that will need to be circulated late in the Autumn Term.

- 4.2 A funding system is required for 2011-14 which will be more predictable and therefore manageable. Examples of options under consideration are the introduction of a fixed and moderated matrix agreed at the start of the multi-year period, a fixed allocation of places funded across the matrix to reflect the types of pupils catered for by each school as a best fit, or, a simple system to band at an average band value per type of special school.
- 4.3 As a principle, the fixing of the special schools total budget at the start of the multi year budget period will be considered. This will mean that any upward shift in the cost of the funding matrix, should the number of pupils remain constant, would have to be managed by adjusting the value of the bands or other formula factors.
- 4.4 Special schools in Walsall offer good and outstanding provision to some of the most vulnerable pupils, however, as there are limited funds available to meet the needs of all Walsall pupils, value for money must be taken into consideration. A benchmarking exercise will be undertaken to assist with this process.
- 4.5 The new government's policy on the raising of the participation age will also have a direct impact on this review because of the current funding gap for post 16 pupils. A local policy decision is required regarding the future funding of post 16 pupils.
- 4.6 At a recent national funding conference a workshop was held on the funding of special schools. A number of other local authorities are experiencing similar problems in managing special school budgets and are now in the process of reviewing their special schools funding formulae in advance of the 2011-14 budget period.

5. Recommendations

- 5.1 Schools Forum is asked to note the content of the report and offer views on the issues raised in this report.