

DATE: 19 NOVEMBER 2019

HIGH NEEDS FUNDING

Ward(s) All

Portfolio: Councillor Chris Towe - Education and Skills

Summary of report

This report provides Scrutiny Members with an overview of the high needs block of the Dedicated Schools Grant, which is funded by high needs national funding formula, identifying the main points and any key issues. In addition, a summary of how high needs funding is allocated to schools and specialist settings is also set out within the report.

Reason for Scrutiny

To inform the Committee of the financial system that education providers and the local authority have to operate within in relation to high needs funding and identify the main points and key issues that Members may need to be aware of.

Recommendation

1. To note the content of the report and raise any further questions that Members feel may be required to support their understanding of high needs funding.



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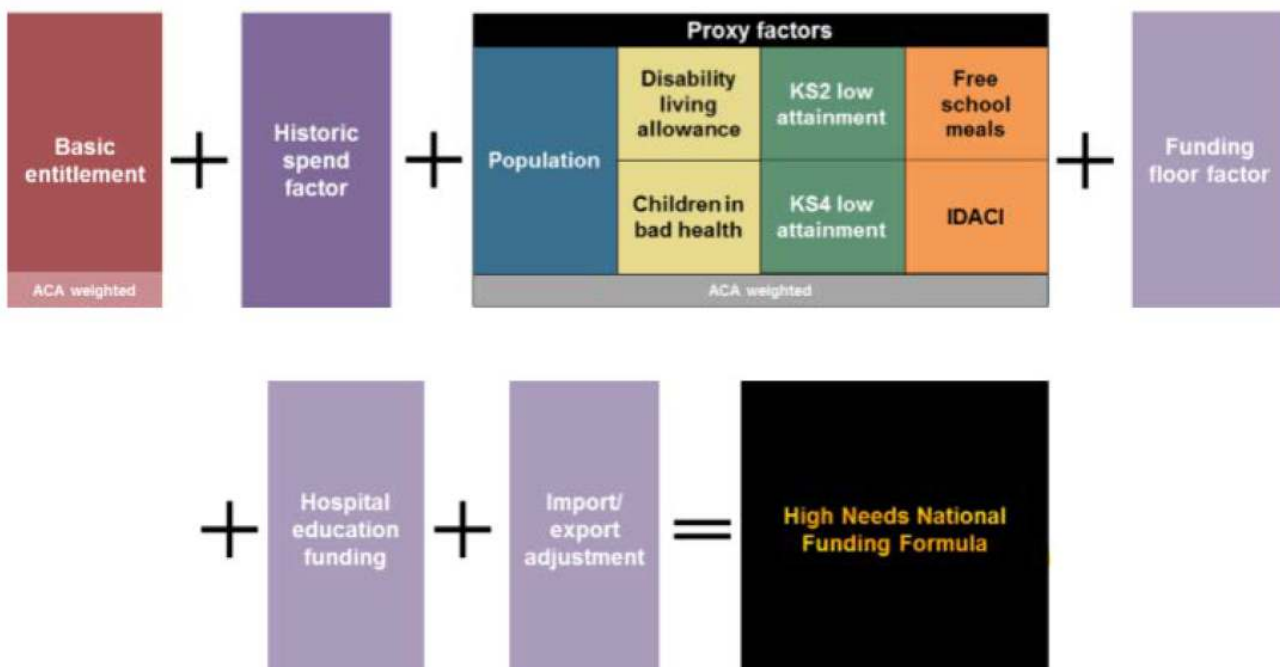
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1. High Needs Block of Dedicated Schools Grant - Overview:

- 1.1 The Education and Skills Funding Agency (ESFA) makes an allocation to local authorities for high needs, as part of the Dedicated Schools Grant (DSG), to support them in meeting their educational responsibilities for children and young people with additional needs, from age 0 to 25, and alternative provision for those pupils who, because of exclusion, illness or other reason, cannot receive their education in a mainstream school.
- 1.2 Funding allocated to each authority was previously driven by historic spending in each area but from April 2018 the Government commenced the implementation of a national High Needs Funding Formula (HNFF) with allocations to each authority from that point being based on a mix of historic spending (which now only informs 50% of allocations) and a range of proxy factors which are believed to identify underlying need in each area (e.g. free school meals, deprivation, low prior attainment, disability living allowance).
- 1.3 The 2019/20 high needs block allocation to Walsall, utilising this model, equates to circa £33.109m.

2. How high needs funding is allocated to the local authority - National High Needs Funding Formula:

- 2.1 There are 12 elements to the national high needs funding formula. These form the basis for local authority high needs block allocations. The diagram below shows the funding factors in the national high needs funding formula, and a description of each funding factor is provided on the following page.



Basic entitlement factor: The factor allocates funding on the basis of data on the pupil and student numbers in special schools and special post-16 institutions. The funding rate is £4,000 per pupil or student and is subject to an Area Cost Adjustment (ACA).

Historic spend factor: This factor is based on the local authority baselines published in August 2017, with adjustments to avoid double-counting through other factors including basic entitlement. A weighting of 50% is then applied to give the final figure for the formula i.e. 50% of the overall High Needs Funding allocated to each authority will be based on historic spend in that area.

Other proxy factors: The remaining national high needs funding, after deducting funding for the basic entitlement, hospital education (see below) and historic spend factors, is then available for the proxy factors listed below:

- population factor
- free school meals (FSM) factor
- income deprivation affecting children index (IDACI) factor
- bad health factor
- disability factor
- key stage 2 low attainment factor
- key stage 4 low attainment factor

Weightings are assigned to determine how much of the remaining amount is allocated through each of the proxy factors.

Funding floor factor: This ensures local authorities do not fall below a minimum level of funding. The factor is applied to the funding calculated through historic spend factor and proxy factors. There are two elements - a per head floor ensuring relevant elements of the funding increase on a per head basis from the 2019 to 2020 funding baseline by at least 8% in 2020 to 2021, based on the ONS estimated population of 2 to 18 year olds and an absolute floor ensuring funding does not drop below the 2019 to 2020 baseline

Hospital education factor: The local authority allocations for 2020 to 2021 will include a hospital education factor equivalent to the amount they received in 2019 to 2020 plus an 8% uplift.

Import / export adjustment: The majority of the high needs national funding formula is designed to allocate funding to local authorities for the needs of the children and young people who live in the local authority's area, regardless of where they are educated. However, it is recognised that local authorities face higher costs if they attract more pupils and students with high needs who live outside the local authority area into their schools and colleges (counted as 'imports' in the formula calculation).

Conversely, authorities that 'export' pupils and students to other local authority places face lower costs. The inclusion of an import / export adjustment in the high needs national funding formula reflects the movement of high needs pupils and students between local authorities, where they live in one authority and attend a school or college in another.

The calculation uses January school census and Individual Learning Record (ILR) data and compares the number of 'imported' and 'exported' pupils for each local authority. Where the imports and exports balance, the cost to the local authority is neutral and no adjustment is made. Where there are more imports than exports, or vice versa, a positive or negative adjustment is made using a unit value of £6,000.

3. How high needs funding is allocated to schools and specialist settings

3.1 High needs funding reforms were introduced nationally in 2013 which were based on high-level principles, with specific intentions to move to a funding approach based more on actual pupil numbers and to combine this with a base level of funding to offer specialist providers some stability and an element of guaranteed funding. The reforms put in place the “place-plus” approach that ensured funding for high needs pupils and students was based on a mixture of a place and pupil-led basis.

3.2 Under the “place-plus” approach high needs funding comprises of three elements, which can be applied across all provision for high needs pupils and students.

- **Element 1, or “core education funding”:**

This represents a universal unit of per-pupil or per student funding to support the provision of education.

In the school sector for pre-16 pupils, this represents the age weighted pupil unit (AWPU) that is paid via the Schools Block of DSG.

For post-16 provision in schools and in the Further Education sector this represents the mainstream per-student funding as calculated, and funded, by the national 16-19 funding system.

- **Element 2, or “additional support funding”:**

This represents a contribution of up to a further £6,000 for additional support required by pupils / students with high needs.

For schools pre-16 pupils this required contribution is made from a school’s notional SEN budget, funded via money paid to schools from the Schools Block of DSG.

Post 16 providers receive an allocation of additional support funding of £6,000 for each high needs student placed with them, funded from the high needs block.

- **Element 3, or “top-up funding”:**

This represents funding that is paid above elements 1 and 2 to meet the remainder of any total cost of providing the education provision required by an individual high needs pupil or student, based on the pupil’s or student’s assessed needs. This is funded in full from the high needs block.

3.3 To provide more context the diagram below shows an illustrative example of the “place-plus” approach for different types of education provision – mainstream schools, specialist settings and post-16 providers.

High Needs Place-Plus Approach

	Pre-16	Post-16	
	Mainstream Settings	Specialist Settings	All Settings
Element 1 : Core Education Funding	Mainstream per-pupil funding (funded from the Schools Block)	Base funding of £10,000 for each place, which is roughly equivalent to the level up to which a mainstream provider would have contributed to the additional support level for a high needs pupil (funded from the High Needs Block)	Mainstream per-student funding (calculated and funded by the national 16-19 funding system)
Element 2 : Additional Support Funding	Contribution of up to £6,000 to additional support required by a pupils with high needs from the schools Notional SEN budget (funded from the Schools Block)		Contribution of £6,000 to additional support required by a student with high needs (funded from the High Needs Block)
Element 3 : Top-Up Funding	"Top-Up" funding paid by the commissioner to meet the needs of each pupil or student placed in the institution where those costs are above the value of element 1 + 2 (funded from the High Needs Block)		

- 3.4 As set out above Element 3 – Top-up funding is paid to schools and settings by the commissioning local authority. Therefore Walsall’s high needs block will fund element 3 costs of Walsall pupils or students regardless of where their school or setting is located. Similarly, none Walsall pupils or students placed in Walsall schools or settings will have these costs met by their home authority.
- 3.5 There is a requirement for the authority to identify a local High Needs funding formula which sets out the basis for allocating element 3 top-up funding to schools and other providers.

For mainstream schools, in Walsall’s current local high needs funding formula top-up funding (element 3) is attracted where an individual pupil’s additional support has been identified as 15 hours per week or above – with the first 14.5 hours being funded by the pupil’s school from their notional SEN budget (element 2).

In regard to specialist schools and Additionally Resourced Provision settings, top-up funding in the local funding formula is determined by a banded resource framework based on the assessed needs of the individual pupil or student placed in a particular specialist school or setting.

- 3.6 High needs pupils in early years settings, both mainstream early years settings in schools and in the private, voluntary and independent sector, do not receive the equivalent of a notional SEN budget like mainstream schools.

Given that many of these settings are very small in size, it was considered impractical to introduce similar funding arrangements as applied to statutory aged and post 16 funding. As such, the local authority is required to ensure that there is clarity, through our local offer, about what mainstream early years settings will be expected to provide for high needs pupils from within their early years funding, as calculated by the Early Years Single Funding Formula, and the point at which any additional top up funding will be provided.

For high needs pupils placed in early years settings, the hours of free early education will be funded from the local authority’s Early Years Block and any additional top-up funding from the High Needs Block.

4. High Needs Current Financial Issues:

- 4.1 **Totality of funding:** Unlike the schools block, the High needs block is a cash limited budget nationally therefore if more children in Walsall are supported from within the High Needs block it does not follow that more funding will be allocated to Walsall. Nationally this is currently a significant issue with a large overspend on high needs block funding forecast by a number of authorities. Government have recently responded to this by announcing an increase in the national cash limited budget for High Needs of £700m from 2020/21.

- 4.2 **Inclusion Agenda:** Part of the pressure referred to above is linked to the fact that nationally there has been a large increase in the number of permanent exclusions. From a financial perspective if a child is in a mainstream school and included in a schools October census this will drive out funding for that child in the following years schools block allocation (broadly speaking for Walsall it would drive out funding of circa £5.5k per year for a primary child or circa £8k for a secondary child).

However if that child is excluded and no mainstream place can be found for that child to move to then there is a requirement for the local authority to provide education for that child and this is normally provided at a Pupil Referral Unit (where costs will normally be 3-4 times the cost of a mainstream place).

Pupil Referral Unit (PRU) places are funded from the High Needs block; therefore, if there is an overall increase in children being supported in PRU's then no additional funding will be allocated to the local authority via the High Needs block and these costs will need to be met from within existing allocations thus placing additional pressure on this area – at a cost that is significantly more than that for supporting a child in a mainstream place.

Furthermore the funding that was paid in the schools block will also potentially be lost to Walsall on an ongoing basis (unless the mainstream school has been able to fill the vacant place by the following October).

Given the pressures that this is leading to nationally the government is now taking steps to seek to address this by trying to identify options to promote / foster inclusive practice in more mainstream schools – for instance OFSTED has recently consulted on the implementation of a new inspection regime which will place more emphasis on inclusive practice and reducing the number of permanent exclusions.

4.3 **Review of local High Needs Funding formula:** A high needs working group of Schools Forum has been set up and, together with support from the SEN team, are currently undertaking a review of Walsall's high needs banding framework. The outcome of the review is expected to result in a different approach to setting levels of top-up funding, particularly in respect of mainstream schools, which are currently based more on hours of support which does not always account for the individually assessed needs of a particular pupil.

It is hoped that the development of the new formula will be completed shortly and costs associated with this transition will be clearer by the end of the autumn term, with reports to Cabinet due in December 2019 and March 2020. However, as set out above, the high needs block is a cash limited budget and the new framework will need to be contained within the totality of high needs funding available to the local authority.