

Cabinet – 21 March 2018

Proposed High Needs Funding Formula 2018/19

Portfolio: Councillor Nawaz, Children's Services and Education

Related portfolios: Councillor S Coughlan, Leader of the Council

Service: Children's Services: Education

Wards: All

Key decision: Yes

Forward plan: Yes

1. Summary

- 1.1 The high needs funding formula is the local process that is utilised to allocate the High Needs Block of the Dedicated Schools Grant (DSG) funding that the Council receives to the providers of support to children with additional needs in the Borough of Walsall.
- 1.2 Central Government, in line with the commitment set out in its manifesto document, has now begun the process of implementing a High needs National Funding Formula (High Needs NFF), which it believes will allow for a more equitable and comparable distribution of funding to authorities across the country compared to the current methodology (which is in the main based on historic spending on education in each area rather than need).
- 1.3 This methodology for allocating funding to local authorities will commence in April 2018.
- 1.4 As the current local high needs funding formula has been in place since April 2014, the move to the national funding formula has provided an opportunity to review current arrangements for funding special schools within Walsall, which form the largest single area supported by the High Needs DSG grant.
- 1.5 As such a Schools Forum working group was set up, comprising representatives from all Walsall special schools, with the aim of reviewing the current funding formula and seeking to identify appropriate changes to ensure allocation of funding continues to be equitable and based on the underlying needs of the children supported.
- 1.6 The outcome of this working group was reported to Walsall Schools Forum at their meeting on 5 December 2017, at which Schools Forum supported the proposed amendments to the funding formula factors to be utilised for the 2018/19 local schools funding formula and recommended the formula to Cabinet.

1.7 As the high needs local funding formula will result in the Local Authority allocating funds to individual schools, and those schools utilising this for expenditure which will be significant (greater than £250,000), the approval of the formula is a key decision.

2. Recommendations

2.1 That Cabinet approves the local High Needs Funding Formula (**Appendix A and B**) that was recommended by Walsall's Schools Forum at their meeting on 6 March 2018.

3. Report detail

3.1 Following the implementation of the DfE's new High Needs funding arrangements, in March 2013, Cabinet approved the recommendations of Schools Forum, which were informed by an SEN working group which undertook a full review of special schools funding, to be implemented in April 2014.

3.2 The option approved by Cabinet was a 5 band matrix, which differentiated between the differing designation of each special school and between primary and secondary phase. Each of the matrix bands that were approved had 2 resource bands / levels.

3.3 At the point of implementation the actual rates per pupil paid to all special schools within Walsall were considerably higher than the target rates approved by Cabinet, and therefore during the intervening period actual resource values per pupil paid to special schools have been moving toward the target rates at the level of allowed reduction per year included within the requirements of the DfE's Minimum Funding Guarantee (MFG) – which across this period has allowed a maximum reduction of 1.5% of per pupil funding per year.

3.4 As such the majority of actual rates paid for 2017/18 are still above the target rates approved by Cabinet (even though these target rates were re-based for April 2017 to take account of increases in inflation that have occurred since 2014).

3.5 Given this position, and in preparation for the implementation of a High Needs National Funding Formula from April 2018, a further working group comprising of all Walsall Special School head teachers, supported by an independent SEN consultant, was comprised during 2017/18 to review the current funding formula, ensure that the manner in which resources are distributed is equitable and identify opportunities to streamline processes that impede on the timely allocation of funds to special schools.

Working Group Review

3.6 The group met between September 2017 and January 2018 and reviewed the current way in which resources were allocated and compared this to models utilised in other authorities. This led to the development of an outline model that can be utilised to identify the relevant category of need for each child and the complexity of their support needs.

- 3.7 It has been recommended by this group that this model is utilised to support a process of reviewing existing children within each school, and those that then join in September 2018, to be carried out, supported by a moderation process, to understand the underlying mix of support needs across each special school.
- 3.8 This could then be utilised to review the current funding allocations and develop a new funding model which ensures equity of resources across each special school based on the underlying needs that have been identified through the moderation process.
- 3.9 To ensure that sufficient time is allocated to these reviews it is envisaged that this work will take place during 2018/19, with consultation with schools affected and Schools Forum, and a further report with recommended changes to the funding formula to be presented to Cabinet during March 2019, for implementation from April 2019.
- 3.10 In the interim, based upon the feedback from the working group, a number of administrative changes are recommended to the existing local high needs funding formula for 2018/19, these are set out in detail below.

Recommended Changes to 2018/19 Local High Needs Funding Formula

i. Resource Values –

The ongoing reduction in resource values per child that have been paid by the local authority since April 2014, whilst actual rates paid move toward the target rates approved by Cabinet, has seen total funding delegated to each special school within Walsall decline over the 4 year period from 2014/15 to 2017/18.

Whilst the current review exercise is not being carried out with the intention of identifying cost savings, with the expectation that any amended formula will be cost neutral (i.e. see no increase or decrease in overall spend on special schools within Walsall funded from the High Needs block of DSG), the proposed time to complete this review will mean that if the authority continues to move toward current target rates that have been approved by Cabinet, that resource values per child that are payable for 2018/19 will continue to reduce where these are above the target rates, and may then change again if Cabinet approve a revised formula from April 2019.

As such, to provide some consistency over this period, it is recommended in the interim resource values per child that are payable for 2018/19 are retained in line with those payable for 2017/18 (with the exception that those special schools who are due to have an expansion, and / or are expected to have an increase in the number of children being supported, and therefore are also expected to see a change in admission numbers, from September 2018, will see an adjustment to their resource value for the period September 2018 to March 2019 for those costs which are included within their overall resource value that are linked to overall pupil numbers - for example management / overhead costs where funding

payable within overall resource values is included within the per pupil figure and these overall resource values per child will then need to reduce when this cost is shared over a higher number of children that will be supported at the expanded school).

Proposed resource values that would therefore be payable for 2018/19 are set out at **Appendix A** (and modelling that has been undertaken shows that all special schools where pupil numbers and characteristics are expected to stay the same or increase for 2018/19, when compared to 2017/18, will see an increase in their overall budget – with only schools who are expected to see a reduction in pupil numbers or change in characteristics seeing a reduction in their funding).

ii. Minimum Funding Guarantee (MFG) -

The proposed consistency in resource values for 2018/19 would mean that there would be no requirement for an MFG for that year. However, with the implementation of the High Needs National Funding Formula, the DfE have provided authorities with the ability to alter MFG rates below the minus 1.5% allowed previously, with the flexibility to set MFG rates in the range of minus 1.5% - 0%.

If the MFG was set at 0% this would in effect mean that any changes in target resource values per child can be implemented immediately, without the impact of having to transition schools to these rates over an extended number of years thus tying inequity of rates into the system for a significant period of time.

As such it is also recommended that, as special schools will benefit from a freeze in resource values for 2018/19, that an MFG of 0% is operated for 2019/20 meaning any new target resource values that are developed for that year are implemented in full, thus ensuring equity in allocation of funding is achieved immediately.

To provide schools who are impacted by this change sufficient time to manage this transition, when the proposed 2019/20 funding formula is reported to Schools Forum and on to Cabinet for approval options for allocating additional funding to these schools over an interim period of up to three years will also be outlined. Although it should be noted that as the change in the funding formula is expected to be cost neutral, any transitional protection offered would need to be funded by tapering in the increase in funding at special schools who are due to gain through the revised formula.

iii. Transition of 'Exceptional Funding' to 'Band 3' Funding

As set out at paragraph 3.2, the current local high needs funding formula operates 2 bands of resource values per school – Band 1 which should provide sufficient funding to meet the needs to the majority of children supported by the school, and Band 2 which provides additional funding for children with higher needs.

The formula also contains a process for schools to apply for and be provided with additional exceptional funding if required to meet short term needs of children that cannot be supported with the funding allocated at Band 2, and there are currently 2 rates of exceptional funding that schools can apply for.

However this process takes significant administrative time, both on behalf of the school to gather evidence and on behalf of the authority to then review this information, seek approval and make payment. This delay may also have an impact on the ability of the school to provide sufficient support to the children in the interim if there is uncertainty over the costs of this support being provided to the school.

As such it is recommended that the Exceptional Funding rates are replaced with a new Band 3 rate, and all children currently receiving exceptional funding transition to and continue to receive funding at the new Band 3 rate.

For existing children it is proposed that this level of funding then continues until their next review, and for new children is subject to the same request process as is currently operated when seeking to move children between other bands.

Proposed Band 3 resource values that would therefore be payable for 2018/19 are set out at **Appendix A**.

iv. Development of 'Bespoke Funding Packages'

As set out above, the current local high needs funding formula operates 3 bands of resource values per school – Band 1 which should provide sufficient funding to meet the needs to the majority of children supported by the school, and Band 2 which provides additional funding for children with higher needs, and Exceptional Funding / Band 3 funding which provides an additional set amount of funding for children whose support needs cannot be met at band 2.

However as the funding that can be allocated to special schools within the funding formula is limited to the above categories, there have been examples of a very small number of children who would have been able to be supported at a Walsall special school if an bespoke package of funding could be agreed, however as there is not the ability to offer funding in this way through the existing approved local funding formula these children have had to be supported at a high cost out of borough placement.

As such it is recommended that the ability to offer a 'bespoke funding package' is included within local high needs funding formula from 2018/19, to provide this flexibility and support the ability to develop packages of support for these children within Walsall, and this proposed band is also included within the detail set out at **Appendix A**.

v. Automated Adjustment for Schools Above / Below Commissioned Numbers

Resource values that are payable to special schools are made up of two elements – Place Funding and Top Up Funding. These elements are described below:

Place Funding – The Local Authority pays providers £10,000 for each place that it commissions from them. This is meant to help to cover the fixed costs / basic staffing costs that these schools will incur. This element is paid regardless of whether or not the places are actually filled e.g. if the LA commissions 100 places but only 90 are filled they would still pay over 100 x £10k. Therefore it is important that numbers of places to be commissioned are accurate.

Top Up Funding – an amount in addition to the place funding intended to meet the individual needs of the children being supported. This is paid on a pro rata basis for actual places that are filled for the time period that they are filled e.g. if the LA commissions 100 places but only 90 are filled they would only pay 90 amounts of top up, or conversely if the LA commissions 100 places but 110 are filled they would pay 110 amounts of top up.

Where a special school is over its commissioned number (e.g. where the authority has commissioned 100 places but 110 are filled) then the special school will automatically be paid additional Top Up funding (to provide monies to meet the individual costs of supporting the additional children), however the school will not automatically be paid additional Place funding (as fixed costs / overhead costs will not necessarily also increase).

However, dependent on the profile of the additional children the extra costs cannot always be met in full from the additional Top Up Funding that is payable (e.g. if the additional children are spread over a number of year groups and therefore additional teachers / teaching assistants are required).

In this situation the DfE does allow the authority to pay over additional funding to the school in recognition of these additional costs. In Walsall, this has in the past been via the school providing evidence of the additional costs incurred that are above the Top Up funding that has been paid and the authority, approved by the Executive Director of Children's services then providing additional Place Funding to that value.

However this process takes significant administrative time, both on behalf of the school to quantify the costs and on behalf of the authority to then review this information, seek approval and make payment. This delay may also have an impact on the ability of the school to provide sufficient support to the children in the interim if there is uncertainty over the costs of this support being provided to the school.

As such the recommended approach from the DfE is to utilise a process whereby if schools are over the commissioned number of places by a set percentage then an enhanced Top Up payment will be made for all children above the commissioned number (if the school is above the

commissioned number by below this set percentage then no further funding in addition to the Top Up will be paid).

Conversely the DfE also recommends that the same adjustment should be made where schools are a set percentage below the commissioned number of places i.e. a reduction in Place funding will be made for each child below the commissioned number.

Therefore to reduce the administrative burden, and ensure adjustments in funding are processed as quickly as possible and schools have the ability to accurately project the level of income they will receive, it is recommended that the local High Needs funding formula for 2018/19 incorporates DfE's recommended approach for schools who are over / under the commissioned number. The proposed detail of this adjustment is set out at **Appendix B**.

- 3.11 The recommended adjustments to the local High Needs funding formula for 2018/19 and approach to revising the formula from 2019/20 were reported to and recommended by Schools Forum at their meeting on 6 March 2018.

4. Council Corporate Plan priorities

- 4.1 Within the Corporate Plan, two of the priorities touch on the relationship that schools contribute to the borough:

- Economic Growth for all people, communities and businesses – Residents are supported to possess the skills required to enter into and progress in work, through the delivery of the Walsall Inclusive Growth Programme
- Children have the best possible start and are safe from harm, happy, healthy and learning well – The gaps in educational attainment between the least and most deprived communities will be narrowed and for all under achieving groups

- 4.2 The funding formula is seen as equitable and is transparent to those who have been consulted with when setting the formula. The funding formula will not alter the total amount of funding given to Walsall special schools and as such the role that schools play in meeting Council objectives, set out above, will not be adversely impacted by the proposed funding formula.

5. Risk management

- 5.1 As any changes in the local funding formula are implemented from 2019/20, individual Special schools may see decreases in budgets and would need to manage these changes within their overall delegated budget. As special schools have defined appropriate staffing ratios, they should be able to utilise these to identify appropriate plans to mitigate these movements.

6. Financial implications

- 6.1 For 2018/19 there are no proposals to alter levels of resources values or overall spending associated with Special Schools. The proposed administrative

changes for 2018/19 are estimated to be affordable within the totality of funding that is available within the High Needs Block of DSG.

7. Legal implications

7.1 The DfE has prescribed the way in which all schools should be financed, and these regulations are set out within the The School and Early Years Finance (England) Regulations 2017.

7.2 For individual financial years this legislation is supported by the production of guidelines. For the 2018/19 financial year these guidelines are set out in the high needs funding 2018 to 2019 operational guide, which can be found at the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/652327/High_needs_funding_operational_guide_2018_to_2019.odt

7.3 The purpose of these arrangements is to help secure greater consistency in the way in which funding is distributed to special schools. The Council is bound to adhere to the rules issued by DfE, and the proposed Walsall local high needs funding formula sets out how funding will be allocated to special schools in Walsall within the prescribed arrangements.

8. Property implications

8.1 Unless any special schools in Walsall were to close, there will be no property implications associated with this report.

9. Health and wellbeing implications

9.1 The content of this report has taken into account the Marmot objectives and it is confirmed that the proposals have been tested against the relevant considerations in this respect. As such there has been no indication that the proposed local high needs funding formula would have any adverse impact on the health and wellbeing of staff and pupils based at Walsall schools.

10. Staffing implications

10.1 Where individual special schools see budget reductions, for instance where pupil numbers have reduced, there is a risk that staff posts may also need to be reduced. Finance officers will continue to work with and support any special schools that do experience financial difficulties so that they can plan the most appropriate way in which to manage these changes.

11. Reducing inequalities

11.1 When undertaking the consultation on the implementation of the High Needs National Funding Formula, DfE prepared an equality impact assessment. A copy of this is attached to the report.

11.2 For 2018/19 there are no proposals to alter levels of resources values or overall spending associated with Special Schools. As part of finalising the proposed

local high needs funding formula for 2019/20 a further equality impact assessment will be considered.

12. Consultation

12.1 Walsall Schools Forum have received a number of reports on the schools high needs funding formula with a working group of members having met several times throughout the year to review the current funding model and identify alternate options that can be taken forward for 2019/20.

Background papers

Schools Forum Report 6 March 2018 – Proposed High Needs Local Funding Formula 2018/19

Schools Forum report 5 December 2017 – Update on Early Years Funding Rates for 2018/19 and Progress of Special Schools Working Group

DfE consultations in March and December 2016 regarding changes to the way that funding for high needs will be allocated nationally going forward

Cabinet Report 19 March 2014 – Special Schools Funding Formula

ESFA – High Needs Funding 2018 to 2019 operational guide

Author

Lloyd Haynes

Senior Finance Manager

☎ 01922 652340

✉ lloyd.haynes@walsall.gov.uk



Sally Rowe
Executive Director
8 March 2018



Councillor Nawaz
Portfolio Holder
8 March 2018

Walsall Council Local High Needs Funding Formula 2018/19

Proposed Top-up Rates Special Schools – 2018/19

	April 2018 – August 2018		September 2018 – March 2019	
	Element 3 - Mainstream Top up funding annual (£)	Weekly top up rates (£)	Element 3 - Mainstream Top up funding annual (£)	Weekly top up rates (£)
Phoenix SEMH Band 1	18,304	352.00	16,223	311.99
Phoenix SEMH Band 2	22,292	428.69	18,453	354.87
Phoenix SEMH Band 3	22,507	432.83	18,668	359.00
Elmwood SEMH Band 1	13,101	251.94	13,101	251.94
Elmwood SEMH Band 2	19,834	381.42	19,834	381.42
Elmwood SEMH Band 3	20,049	385.56	20,049	385.56
Castle MLD Band 1	5,514	106.04	3,711	71.37
Castle MLD Band 2	10,934	199.89	6,877	132.26
Castle MLD Band 3	10,609	204.02	7,092	136.39
Jane Lane MLD Band 1	4,480	86.15	3,499	67.30
Jane Lane MLD Band 2	9,360	180.00	6,668	128.23
Jane Lane MLD Band 3	9,574	184.13	6,883	132.37
Oakwood SLD Band 1	15,077	289.04	12,927	248.60
Oakwood SLD Band 2	18,291	351.75	16,552	318.31
Oakwood SLD Band 3	18,506	355.88	16,767	322.44
Old Hall SLD Band 1	15,151	291.37	12,894	247.96
Old Hall SLD Band 2	18,365	353.17	16,474	316.81
Old Hall SLD Band 3	18,580	357.30	16,689	320.94
Mary Elliot SLD Band 1	12,640	243.08	12,640	243.08
Mary Elliot SLD Band 2	15,853	304.87	15,853	304.87
Mary Elliot SLD Band 3	16,068	309.00	16,068	309.00

Special Schools Bespoke Funding Package – 2018/19

Where the individual needs of a child are such that they cannot be provided for within the banding funding set out above, the authority has the ability within the local high needs funding formula to approve a bespoke package of funding.

Automated Adjustment for Walsall Special Schools Above / Below Commissioned Number

Children Above the Commissioned Number

Where a Walsall Special School sees a variance in its actual, Walsall, pupil numbers of 5%, or more, above the number of places commissioned by the authority for the period (based on termly census returns), the authority will seek to provide further Top Up funding (an Enhanced Top Up) in addition to the Top Up Rates set out in Appendix A.

This Enhanced Top Up will be equivalent to £10,000 per year per place that is filled in excess of 5% above the commissioned number level, pro rata for the actual number of weeks that that place is occupied / supported for.

Children Below the Commissioned Number

Where a Walsall Special School sees a variance in its actual, Walsall, pupil numbers of 5%, or more, below the number of places commissioned by the authority for the period (based on termly census returns), the authority will seek to make a claw back adjustment to any Top Up funding that will be paid. The value of this Top Up Claw Back per unoccupied place would be in line with the value of the Enhanced Top Up set out above.

This Top Up claw back will therefore be equivalent to £10,000 per year per place that is unoccupied in excess of 5% below the commissioned number level, pro rata for the actual number of weeks that that place is unoccupied for.

A number of worked examples are provided below for illustrative purposes.

Automated Adjustment for Walsall Special Schools Above / Below Commissioned Number - Worked Examples

		Period - April to March				
	Element Value	Commissioned Places	Actual Places Filled	Actual Places Filled	Actual Places Filled	Actual Places Filled
		100	104	110	96	90
% Variance to Commis'd Number		0%	+4%	+10%	-4%	-10%
Tolerance % level		+5%	+5%	+5%	-5%	-5%
Outcome		No amendment required.	Top up funding for 104 children will be paid. No 'enhanced top up' will be paid as tolerance level not met.	Top up funding for 110 children will be paid. 'Enhanced top up' funding for 5 children (those above the tolerance level) will also be paid.	Top up funding for 96 children will be paid. No 'top up clawback' will be implemented as tolerance level not met.	Top up funding for 90 children will be paid. 'Top up clawback' funding for 5 children (those below the tolerance level) will also be clawed back.
Place	£10,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000
Top-Up	£18,000	£1,800,000	£1,872,000	£1,980,000	£1,728,000	£1,620,000
Enhanced Top Up	£10,000	N/A	N/A	£50,000	N/A	N/A
Top Up Clawback	£10,000	N/A	N/A	N/A	N/A	(£50,000)
Total Funding Payable		£2,800,000	£2,872,000	£3,030,000	£2,728,000	£2,570,000