



**Walsall Council**

## **Walsall Children's Services**

**Report to:** Schools Forum

**Date:** 26<sup>th</sup> November 2013

**Subject:** Special Schools Funding Review

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**Purpose of the report:** This report details the progress of the Review of the Special School Funding Formula to be used for the allocation of budgets 2014-2015

**Recommendation:** To note the contents of the report

## **Review of Specials Schools Funding Formula**

### **1. Background:**

- 1.1 Next Steps to a Fairer Funding system introduced from April 2012 required the implementation of new funding arrangement in respect of high needs pupils. An SEN working group was established in August 2012 and met regularly during the autumn term 2012. Due to time constraints the group agreed to regard 2013-14 as a transitional year for funding and to this end the 2012-13 place values were used as the starting point for 2013-14, with the non pupil led funding factors rolled into/added to the existing place values.
- 1.2 The School Forum were informed of the recommendations made by the SEN working group in regard to the funding mechanism for special schools in 2013-14 and, in addition, a recommendation to undertake a full review of special schools funding to be implemented in 2014-15 was also agreed.

### **2. Funding Review:**

- 2.1 The review process started in July 2013 and Finance and SEN staff have been working with the special head-teachers in a series of workshops to develop a funding mechanism for 2014-15. The principles on which the funding formula will be based have been agreed. The staffing ratios and fixed cost areas have also been agreed with head teachers. Resource bands have been identified that generate sufficient funding for pupils with differing levels of need and the agreed ratios. Cost models have been produced generating top-up values across a resource matrix.
- 2.2 The funding reforms link with wider SEN reforms in that they allow the concept of “exceptional need” – which means that where the new single assessment and plan identify need/provision above the special school local offer and top-up, further funding can be identified against targets. The guidance and moderation process for this is still to be developed.

### **3. Proposals for special school funding formula:**

- 3.1 The current 2013-14 resource matrix has the following 4 bands, with 3 levels of funding in each, recognising the increasing complexity of need:

SLD Primary Band	- 3 place levels
SLD Secondary Band	- 3 place levels
BESD Band	- 3 place levels
MLD Band	- 3 place levels

- 3.2 The proposed special school funding formula would see the resource matrix change from 4 bands i.e. SLD Primary, SLD Secondary, BESD, MLD with 3 levels in each (12 top-up values in total) to maximum of 6 bands, with a maximum 2 levels in each – standard and high level. Differentiation between bands and levels to be based upon agreed staffing ratios required to ensure access to the curriculum; good or better progress and achievement; and safety of pupils.
- 3.3 Each special school will be funded to their designated type and there is an expectation that most pupils will attract the standard level of funding for their matrix band, and fewer numbers of pupils, with more complex needs, attracting the higher top-up value.

- 3.4 As stated in paragraph 2.2, in exceptional circumstances, where the new single assessment identifies a need above what can be met from top-up, schools will be able to attract additional funding for a period specified in the assessment.
- 3.5 The school finance team has modelled 4 funding options and the modelling shared and discussed with special head teachers, collectively and individually to scrutinise the impact of each option on each school.
- 3.6 Consideration was given to maintaining a primary and secondary differential, particularly as the primary special schools all have designated numbers of 60 or below, the remaining special schools being over 100, the exception of Elmwood.
- 3.7 If implemented fully in 2014-15, all special schools would see a significant reduction in budget share in comparison to 2013-14. However it was pointed out to the head teachers that the “temporary” funding arrangements and the placement of pupils, by head teachers, onto the resources bands in 2013-14, created something of a funding “windfall” for all special schools.
- 3.8 A better comparison was felt to be against the 2012-13 budget allocations and while losses are still marked it is felt these will be manageable through the implementation of appropriate transitional arrangements. There is a recognition that changes are necessary and a general acceptance that specials schools have been very well funded in recent years and continue to be so and, although, there are concerns about managing the reducing budgets, the proposals are mainly supported.
- 3.9 Appendix 1 provides details of the modelled options shared with special head teachers, showing the impact of the options on individual schools, in summary:

#### **Option 1:**

Has 3 matrix bands, 1 for each type/sector (SLD; MLD; BESD) with 2 funding levels in each matrix band, a total of **6 resource bands or top-up values**. There is no differentiation between primary and secondary phase in option 1.

This option disadvantages primary SLD special schools as both are designated as 60 place schools, however the SLD secondary school is designated as 110 places and therefore the fixed cost funding elements are “depressed” when averaged across SLD provision as a whole, reducing the top-up value primary SLD pupils would attract, putting pressure on the primary SLD budgets. To a lesser degree a similar impact was seen for the BESD primary school when costs were averaged with the larger secondary BESD school.

#### **Option 2:**

As option 1, however for SLD and BESD the matrix bands are differentiated by phase e.g. for SLD there would be 2 matrix bands – 1 for primary and 1 for secondary. The total number of matrix bands in this option would be 5, with 2 funding levels in each, a total of **10 resource bands or top-up values**.

Differentiating the primary and secondary phase of the SLD and BESD schools recognises the need to generate sufficient funding to meet fixed costs in a smaller school.

### **Option 3:**

As option 2, but with a further division of bands, this time the MLD matrix band is split into 2 - 1 applicable to Jane Lane and 1 applicable to Castle. Although both schools attract the same age range of pupils their designated numbers are not the same, Castle School being the smaller of the two. The split takes into account the differing fixed costs of their specific sites and the difference in pupil numbers. As in options 1 & 2 there are 2 levels of funding in each matrix band. In option 3 there would be 6 matrix bands and a total of **12 resource bands or top-up values**.

### **Option 4:**

A much simplified option which uses the 6 matrix bands identified in option 3, but only 1 funding level per band. The values of the single funding level in each band derived by averaging the costs of the 2 funding levels used in all other options, a total of **6 resource bands or top-up value**.

This option was considered as funding all children in the same school at the same level would very much reduce the need for individual pupil assessments by the LA and, for schools, medium and long term planning would be more straightforward and predictable.

The advantages of this option were attractive to head teachers, however when modelled this option further increases the losses for most schools and it was felt a step too far.

Special head teachers expressed a preference for either option 2 or 3. There was no support for options 1 or 4.

## **4. Arrangements for implementing the revised formula:**

- 4.1 Whichever option is selected, transition arrangements will need to be in place to manage the reduction in budgets over an agreed period. While the minimum funding guarantee (MFG) protects special school budgets in a similar way to main stream schools, the MFG process would very much delay the implementation of the new funding formula. It is estimated that the transition process could take as long as 10 years if MFG alone was used.
- 4.2 To aid implementation the DfE have confirmed that the local authority can request a dis-application of the minimum funding guarantee (MFG) in respect of special schools provided there is an appropriate and agreed local transition process in place. Special head teachers are aware of the need to make these arrangements and are in general agreement, although there are some concerns about managing the impact of the projected reductions.
- 4.3 Surplus balances are projected for the end of 2013-14 in most of the special schools and will to a large extent offset the anticipated 2014-15 reductions. However it is recognised that longer term reductions in spending will need to be identified.

## **5. Ongoing issues:**

- 5.1 The modelling process indicates the two BESD schools, Elmwood and Phoenix, are impacted on the most, seeing a reduction in their budgets of between 20% and 25%. There are concerns that such losses are not sustainable and financial viability of continuing to maintain two small BESD schools needs to be considered and alternative solutions investigated. The footprint size of Elmwood creates

insurmountable cost pressures e.g. the schools has twice the floor area of Jane Lane with a third the number of pupils. The fixed costs of Phoenix are also prohibitive due to their very low designated number.

- 5.2 For Oakwood and Old Hall the position is less difficult and both will have manageable but 'tight' budgets. Again, options are being considered that reduce the budget pressures on the primary SLD schools.
- 5.3 Growth in high needs numbers – the DfE have made clear that the number of high needs places to be funded in 2014-15 will be limited to that agreed for each authority in 2013-14. Many local authorities, including Walsall, are very concerned about how they will manage to fund the anticipated growth in numbers.

## **6. Next Steps:**

- 6.1 A further meeting with special head teachers is planned in December. Possible transitional arrangements will be considered and an agreed option sought. Head teachers will also be asked to determine their school's "local offer".
- 6.2 Determine the process for the LA placement of pupils on the matrix, including review arrangements.
- 6.3 Develop guidance on the moderation process for the determination of 'exceptional need'.

## **7. Recommendations:**

- 7.1 School Forum are asked to note the contents of the report.

## Special Schools Funding Review - Options considered and presented to special head teachers at review meetings held in Sept &amp; October '13

**Option 1 = 3 Matrix bands, with 2 resource bands in each**

Matrix band	1	2	3
	Base per place i.e. Elements 1 & 2	Top-up Rate - Element 3	
		Resource Band 1	Resource Band 2
BESD	10,000	14,046	15,846
MLD	10,000	2,751	5,375
SLD	10,000	11,651	14,791

	Number of Funded Places Pre 16 & post 16 places	Total funding for Places - Element 1 & 2 i.e. £10k per place	Element 3 - Topup based on April 13 nos constant all year	Modelled Option 1 Budget Share
Castle	129	1,290,000	639,340	<b>1,929,340</b>
Elmwood	45	450,000	649,706	<b>1,099,706</b>
Jane Lane	153	1,530,000	565,127	<b>2,095,127</b>
Mary Elliot	112	1,120,000	1,512,160	<b>2,632,160</b>
Oakwood	56	560,000	759,725	<b>1,319,725</b>
Old Hall	58	580,000	817,979	<b>1,397,979</b>
Phoenix	36	360,000	491,241	<b>851,241</b>
	589	<b>5,890,000</b>	<b>5,435,278</b>	<b>11,325,278</b>

Comparison to Projected 13-14 income		
Projected Income for 13-14 with top up for actual nos as at Sept 13 - subject to change	Variance - Modelled income to Projected Income	% variance
<b>2,262,258</b>	- 332,918	-15%
<b>1,367,981</b>	- 268,275	-20%
<b>2,501,865</b>	- 406,737	-16%
<b>2,827,762</b>	- 195,603	-7%
<b>1,576,153</b>	- 256,428	-16%
<b>1,658,338</b>	- 260,359	-16%
<b>1,124,354</b>	- 273,113	-24%
<b>13,318,711</b>	- 1,993,433	-15%

Comparison to 2012-13 Budget		
Budget Share 12-13	Variance - Modelled income to 2012-13 Budget	% variance
<b>2,099,323</b>	- 169,983	-8%
<b>1,141,784</b>	- 42,078	-4%
<b>2,237,330</b>	- 142,203	-6%
<b>2,659,561</b>	- 27,401	-1%
<b>1,503,765</b>	- 184,039	-12%
<b>1,469,488</b>	- 71,509	-4.9%
<b>854,755</b>	- 3,514	-0.4%
<b>11,966,005</b>	- 640,727	-5%

Average % -15%  
 Min -7%  
 Max -24%

Average % -5%  
 Min 0%  
 Max -12%

**Option 3 = 6 Matrix Bands, with 2 resource bands in each**

Matrix band	1	2	3
	Base per place i.e. Elements 1 & 2	Top-up Rate - Element 3	
		Resource Band 1	Resource Band 2
BESD Prim	10,000	16,027	17,773
BESD Sec	10,000	12,064	13,920
MLD Castle	10,000	2,829	5,453
MLD J Lane	10,000	2,673	5,297
SLD Prim	10,000	12,877	16,002
SLD Sec	10,000	10,424	13,581

	Number of Funded Places Pre 16 & post 16 places	Total funding for Places - Element 1 & 2 i.e. £10k per place	Element 3 - Topup based on April 13 nos constant all year	Modelled Option 3 Budget Share
Castle	129	1,290,000	632,814	<b>1,922,814</b>
Elmwood	45	450,000	570,729	<b>1,020,729</b>
Jane Lane	153	1,530,000	553,264	<b>2,083,264</b>
Mary Elliot	112	1,120,000	1,375,855	<b>2,495,855</b>
Oakwood	56	560,000	822,707	<b>1,382,707</b>
Old Hall	58	580,000	887,094	<b>1,467,094</b>
Pheonix	36	360,000	550,955	<b>910,955</b>
	589	<b>5,890,000</b>	<b>5,393,419</b>	<b>11,283,419</b>

Comparison to Projected 13-14 income		
Projected Income for 13-14 with top up for actual nos as at Sept 13 - subject to change	Variance - Modelled income to Projected Income	% variance
<b>2,262,258</b>	- 339,444	-15%
<b>1,367,981</b>	- 347,251	-25%
<b>2,501,865</b>	- 418,601	-17%
<b>2,827,762</b>	- 331,907	-12%
<b>1,576,153</b>	- 193,446	-12%
<b>1,658,338</b>	- 191,244	-12%
<b>1,124,354</b>	- 213,399	-19%
<b>13,318,711</b>	- 2,035,293	-15%

Comparison to 2012-13 Budget		
Budget Share 12-13	Variance - Modelled income to 2012-13 Budget	% variance
<b>2,099,323</b>	- 176,508	-8%
<b>1,141,784</b>	- 121,054	-11%
<b>2,237,330</b>	- 154,066	-7%
<b>2,659,561</b>	- 163,706	-6%
<b>1,503,765</b>	- 121,058	-8%
<b>1,469,488</b>	- 2,394	-0.2%
<b>854,755</b>	56,200	7%
<b>11,966,005</b>	- 682,587	-6%

Average % -15%  
 Min -12%  
 Max -25%

Average % -6%  
 Min 7%  
 Max -11%

**Option 2 = 5 Matrix Bands, with 2 resource bands in each**

Matrix band	1	2		3
	Base per place i.e. Elements 1 & 2	Top Rate - Element 3		
		Resource Band 1	Resource Band 2	
BESD Prim	10,000	16,027	17,773	
BESD Sec	10,000	12,064	13,920	
MLD	10,000	2,751	5,375	
SLD Prim	10,000	12,877	16,002	
SLD Sec	10,000	10,424	13,581	

	Number of Funded Places Pre 16 & post 16 places	Total funding for Places - Element 1 & 2 i.e. £10k per place	Element 3 - Topup based on April 13 nos constant all year	Modelled Option 2 Budget Share
<b>Castle</b>	129	1,290,000	624,619	<b>1,914,619</b>
<b>Elmwood</b>	45	450,000	570,729	<b>1,020,729</b>
<b>Jane Lane</b>	153	1,530,000	565,127	<b>2,095,127</b>
<b>Mary Elliot</b>	112	1,120,000	1,375,855	<b>2,495,855</b>
<b>Oakwood</b>	56	560,000	822,707	<b>1,382,707</b>
<b>Old Hall</b>	58	580,000	887,094	<b>1,467,094</b>
<b>Pheonix</b>	36	360,000	550,955	<b>910,955</b>
	589	<b>5,890,000</b>	<b>5,397,087</b>	<b>11,287,087</b>

Comparison to Projected 13-14 income		
Projected Income for 13-14 with top up for actual nos as at Sept 13 - subject to change	Variance - Modelled income to Projected Income	% variance
<b>2,262,258</b>	- 347,639	-15%
<b>1,367,981</b>	- 347,251	-25%
<b>2,501,865</b>	- 406,737	-16%
<b>2,827,762</b>	- 331,907	-12%
<b>1,576,153</b>	- 193,446	-12%
<b>1,658,338</b>	- 191,244	-12%
<b>1,124,354</b>	- 213,399	-19%
<b>13,318,711</b>	- 2,031,624	-16%

Comparison to 2012-13 Budget		
Budget Share 12-13	Variance - Modelled income to 2012-13 Budget	% variance
<b>2,099,323</b>	- 184,704	-9%
<b>1,141,784</b>	- 121,054	-11%
<b>2,237,330</b>	- 142,203	-6%
<b>2,659,561</b>	- 163,706	-6%
<b>1,503,765</b>	- 121,058	-8%
<b>1,469,488</b>	- 2,394	-0.2%
<b>854,755</b>	56,200	7%
<b>11,966,005</b>	- 678,918	-6%

Average % -16%  
 Min -12%  
 Max -25%

Average % -6%  
 Min 7%  
 Max -11%



**Option 4 = 6 Matrix Bands, 1 resource bands in each**

Matrix band	Base per place i.e. Elements 1 & 2	Top-up Rate Element 3
		Single Resource Band 1
BESD Prim	10,000	16,900
BESD Sec	10,000	12,992
MLD Castle	10,000	4,141
MLD J Lane	10,000	3,985
SLD Prim	10,000	14,439
SLD Sec	10,000	12,003

	Number of Funded Places Pre 16 & post 16 places	Total funding for Places - Element 1 & 2 i.e. £10k per place	Element 3 - Topup based on April 13 nos constant all year	Modelled Option 4 Budget Share
<b>Castle</b>	129	1,290,000	434,835	<b>1,724,835</b>
<b>Elmwood</b>	45	450,000	532,684	<b>982,684</b>
<b>Jane Lane</b>	153	1,530,000	605,748	<b>2,135,748</b>
<b>Mary Elliot</b>	112	1,120,000	1,344,285	<b>2,464,285</b>
<b>Oakwood</b>	56	560,000	750,854	<b>1,310,854</b>
<b>Old Hall</b>	58	580,000	684,145	<b>1,264,145</b>
<b>Pheonix</b>	36	360,000	523,892	<b>883,892</b>
	<b>589</b>	<b>5,890,000</b>	<b>4,876,443</b>	<b>10,766,443</b>

Comparison to Projected 13-14 income		
Projected Income for 13-14 with top up for actual nos as at Sept 13 - subject to change	Variance - Modelled income to Projected Income	% variance
<b>2,262,258</b>	- 537,423	-24%
<b>1,367,981</b>	- 385,297	-28%
<b>2,501,865</b>	- 366,116	-15%
<b>2,827,762</b>	- 363,478	-13%
<b>1,576,153</b>	- 265,299	-17%
<b>1,658,338</b>	- 394,193	-24%
<b>1,124,354</b>	- 240,461	-21%
<b>13,318,711</b>	- 2,552,269	-19%

Comparison to 2012-13 Budget		
Budget Share 12-13	Variance - Modelled income to 2012-13 Budget	% variance
<b>2,099,323</b>	- 374,488	-18%
<b>1,141,784</b>	- 159,100	-14%
<b>2,237,330</b>	- 101,582	-5%
<b>2,659,561</b>	- 195,276	-7%
<b>1,503,765</b>	- 192,911	-13%
<b>1,469,488</b>	- 205,343	-14%
<b>854,755</b>	29,137	3%
<b>11,966,005</b>	- 1,199,563	-10%

Average % -19%  
 Min -13%  
 Max -28%

Average % -10%  
 Min 3%  
 Max -18%