

TITLE OF REPORT: High Needs National Funding Formula Consultation

Purpose of the Report

1. To bring to Schools Forum attention, the Department for Education (DfE) High Needs National Funding Formula Consultation that interested parties can respond to.

Background

2. The consultation is open from 10 February 2021 to 24 March 2021.
3. The purpose of the consultation is to seek views on proposed changes to the High Needs Block (HNB) National Funding Formula (NFF).
4. The Consultation asks 6 questions around the historic spend factor, low attainment factor, what factors could be added to the current formula and other comments.
5. The DfE are aware that many local authorities have in the past spent more on High Needs than they have allocated and therefore want to make sure that they are allocating High Needs funding as appropriately and fairly as possible. This is the first stage of the planned review of the HNB NFF, first introduced for the allocations of funding to local authorities in 2018-19.
6. The DfE are currently considering wider SEN and disability (SEND) and alternative provision (AP) system changes that could be implemented in future years which will be part of a broader review of the SEND and AP arrangements and the allocation of funding.
7. The hyperlinks below show details regarding the current consultation:

[High needs national funding formula – proposed changes - Department for Education - Citizen Space](#)

https://consult.education.gov.uk/funding-policy-unit/high-needs-nff-proposed-changes/supporting_documents/High%20needs%20NFF%20review%20consultation%20document.pdf

8. The Local Authority (LA) will be making a response to this consultation. If Schools Forum would like to respond to this consultation there are 2 options: -
 - Agree to use the LA response.
 - Amend the draft attached in appendix A to form Schools Forum's response.

Proposal

9. Schools Forum considers the information in this report and decides whether a response to the consultation is to be made on behalf of Schools Forum.

Recommendations

10. It is recommended that Schools Forum consider the information in this report and decide if it would like a response to be made in their name and how this will be facilitated.

For the following reasons:

- To ensure that Schools Forum has the option to respond to the consultation.
- To provide Schools Forum with the opportunity to express their opinions.

Carole Smith Ext. 2747

Appendix 1

High needs NFF review consultation questions

Opening questions

- What is your name?
- What is the name of your organisation?
- What type of organisation is this?

Local authority
Mainstream School / academy
Special School / academy
Independent or Non-Maintained Special School
Alternative provision
Fe college
Specialist post-16 institution
Hospital education provider
Multi academy trust
National organisation
Other
Not applicable

- What is your role? **Finance Business Partner - Schools**
- Which local authority are you based in? **Gateshead**
- Do you wish your response to remain confidential? **No**

Historic spend factor - question 1

The historic spend factor in the high needs national funding formula is the main proxy we currently use for local circumstances that can significantly affect local authorities' levels of spending on high needs, and that take time to change. This formula lump sum is calculated using 50% of each local authority's planned expenditure on high needs in 2017-18, reported by local authorities.

We now have access to actual spending data from 2017-18. We therefore propose replacing the current lump sum included in the formula calculation with an amount calculated on the basis of actual expenditure in 2017-18, as reported by each local authority.

Before answering the question below, please read section 3 of the consultation document. Annex B to that document includes further information, and for each local authority the lump sum amount that we propose to use.

Do you agree that we should replace the current lump sum included in the formula calculation with an amount calculated on the basis of actual local authority expenditure, as reported by each local authority?

Agree
Disagree
Unsure

Please provide any additional comments.

This could be additional funding to Gateshead as the DfE calculated additional funding would be £568,362 as actual spend was higher than the budget. However, what is not clear is the impact on the other high needs factors. Another issue is that this is an historical factor and does not reflect the level of current need. Although having stability of HN funding is paramount for LA's to plan this can be achieved by funding floors and capping gains and not necessarily by increasing the historic lump sum.

Historic spend factor - question 2

The historic spend element of the high needs national funding formula has remained at a cash-flat level since the introduction of the national formula in 2018-19, moving from 44% of the overall formula funding in 2018-19 to 34% in the 2021-22 formula as that total funding has increased. Some local authorities may not have been able to change their spending patterns to keep pace with the percentage reduction in this factor, despite the protection afforded by the funding floor minimum increase of 8% this and next year. We are therefore considering whether to increase the proportion of funding allocated through this factor, alongside using actual expenditure amounts.

Using actual expenditure from a more recent year, and leaving the percentage at 50%, would increase the amount of the lump sum, but we are not proposing to do this as we are clear that local authorities' actual spending now or in future should not determine how much funding they receive. We could, however, increase the significance of this factor in the 2022-23 formula, by increasing the percentage of 2017-18 spending that is applied, allowing for a more gradual rate of change in the local pattern of spending.

Before answering the question below, please read section 3 of the consultation document.

Do you think that we should increase the percentage of actual expenditure in 2017-18 included in the funding formula calculation, or leave it at 50%? Use the comments box to propose a particular increase or reduction in the percentage.

Increase the percentage
Keep the percentage at 50%
Decrease the percentage
Unsure or other

Comments

The historic factor will be 5 years out of date if this proposal is implemented and the SEND landscape is changing fast. LA's should be given stability by using the funding floor and capping the gains, but resources should be more targeted at actual need. Without full information it is not possible to be able to quantify what the overall impact of these proposals will have on individual authorities, and therefore it is difficult to plan for the future with such uncertainty.

Historic spend factor - question 3

We are aware that the continued use of historic spend is not the perfect long term solution for reflecting the patterns of local demand and supply that affect spending on high needs, as those

patterns will naturally change over time. As part of the funding formula review that we are carrying out, and for consideration as we develop that formula in the years after 2022-23, we are therefore seeking views on potential alternatives to the historic spend factor. Any new factors would need to be appropriate for a funding formula (e.g. the data used should be collected on a consistent basis) and would also need to avoid creating a perverse incentive (e.g. to spend more on a certain type of provision so as to gain more funding, rather than to improve the quality or appropriateness of provision).

Before answering the question below, please refer to section 3 of the consultation document.

To what extent do you agree that the funding formula should include factors that reflect historical local demand for and supply of SEND and AP provision? If you have any suggestions for such factors that could eventually replace the historic spend factor, please provide these in the comments box.

Strongly agree
Agree
Neither agree nor disagree
Disagree
Strongly disagree

Comments

As we develop provision to meet the needs of our children now and in the future having funding based on an historic basis could hold LA's back from doing this due to the historic nature of the funding, and not reflect the current needs of the SEND population.

Low attainment factor - question 4

The high needs national funding formula uses low attainment at both key stage 2 and key stage 4 as a proxy indicator for SEND. This figure is calculated using an average of results over the most recent 5 years of tests and exams, which for the 2022-23 formula would have meant using test and exam results from 2016 to 2020. Due to the COVID-19 pandemic, the 2020 key stage 2 tests and GCSE exams were cancelled. This has resulted in no key stage 2 data, and GCSE data that would be inappropriate to use because of the inconsistencies with the results from previous years.

We have considered using the same data as used to calculate last year's attainment formula factors, but this would mean data from more than 5 years ago. Instead, we propose to calculate low attainment by using data from 2016 to 2019, but then to double the weighting of the most recent exam data from 2019. This method could be used for a further year, assuming the 2021 test and exam results are also not able to be used for this purpose.

Please refer to section 4 of the consultation document before answering the following question.

Do you agree with our proposal to update the low attainment factors using data from 2016, and to substitute the most recent 2019 data in place of the missing 2020 attainment data?

Agree
Disagree – calculate in the same way as last year
Disagree – other (please provide further details in the comments)
Unsure

Please provide any additional comments

This seems like a pragmatic solution to the attainment data issue.

Question 5

The high needs national funding formula uses six indicators which together act as a proxy for the level of more complex SEND, and need for alternative provision (AP) in an area. These indicators include: a measure of the local population of children and young people, the two low attainment measures (key stage 2 and key stage 4) referred to in question 4, two health and disability measures (the number of children in bad health and the number of families in receipt of disability living allowance), and two deprivation indicators (the number of children eligible for free school meals and a local area deprivation measure).

Numbers of EHC plans are not be used as a robust indicator of underlying need because the way they are used varies considerably across local areas, and the number of plans is therefore not necessarily directly associated with the local authority's need to spend. The ongoing SEND review is considering whether system changes are needed, to provide more consistency in EHC needs assessment and planning process, and to improve other aspects of the SEND arrangements.

Following the SEND review, we will consider whether consequent changes to these proxies that we use in the funding formula, as well as other funding changes, would be appropriate, as it is important that the proxies used support local authorities to deliver the outcomes of the review. At this stage we are keen to understand whether there are new factors either that could replace existing factors that have become out of date or otherwise unreliable, or that could be added to the formula to address types or prevalence of identified need, and we would welcome views.

Please refer to section 5 of the consultation document before giving your comments.

If you wish to offer ideas on factors that could be added to the current formula, or that could replace the current proxies, please provide further details in the comments box below.

Comments

FSMe6 would be a better more stable factor to use than just straight FSM.

The funding differential between the IDACI bandings is insufficient and there should be a better correlation between the level of funding and the level of deprivation.

The children in bad health is taken from the national census data which is only collected every 10 years and is based on parents/carers opinion which may have no medical basis; therefore a better indicator should be used.

Consideration should be given to NHS data such as low birth weight data / early birth data/ multiple births. Children born with foetal alcohol and other syndromes. This should be collected by the home postcode of the mother rather than by the hospital they were born in. Pregnancies with more complex issues may also be patients of more specialist units.

There is no direct funding for children in alternative provision.

Children on the AP census should have basic entitlement funding the same as pupils in special schools. Initial allocations could be updated with the alternative provision census.

The formula should be reviewed as a whole so that the full impacts of any changes can be seen and evaluated.

Question 6

Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change. Before answering this question, please refer to Annex C of the consultation document.

Please provide your answer in the box below:

It would be more logical to undertake a review of the HNB formula when the outcome of the SEND review is known, rather than having a two staged approach that could muddy the waters when trying to make funding comparisons.