

TITLE OF REPORT: DfE High Needs National Funding Formula and Other Reforms - Stage 2 Consultation

Purpose of the Report

1. To bring to Schools Forum's attention the current consultation released by the DfE on a high needs national funding formula and other reforms. This report is supplementary to reports presented to Forum in March and April 2016.

Background

2. The Department for Education (DfE) launched a second stage consultation on 14 December 2016 for a high needs national funding formula and other reforms. The consultation closes 22 March 2017.
3. This "stage two" consultation includes:-
 - The DfE's response to the stage 1 consultation
 - The DfE's proposed values and weightings for the factors and adjustments in the high needs national funding formula
 - The introduction of a funding floor, so that no Local Authority (LA) will face a reduction in high needs funding as a result of the formula
 - How the DfE propose to operate some limited local budget flexibility that enables LAs, through agreements to move some schools funding into the high needs budgets.

High Needs National Funding Formula (HNNFF)

4. Following the stage one consultation and the research carried out by the ISOS partnership, the DfE are proposing the following formula factors for the HNNFF:
 - Population aged 2 to 18 – 19 to 24 year old pupil population is not representative of SEN due to larger populations in university towns
 - Low prior attainment – key stage 2 and key stage 4 results over previous 5 years
 - Health and disability
 - Children in bad health
 - Disability living allowance
 - Deprivation
 - Current Free School Meals (FSM) eligibility
 - Income deprivation affecting children index (IDACI) all 6 bands

5. The consultation also proposes the following factors and adjustments:

- A basic per pupil element – flat rate per pupil in special schools and special post 16 institutions, and will include pupils in independent schools proposed at £4,000 per pupil
- Import / export adjustments – for cross border students
- Alternative Provision (AP) funding – based on population and deprivation factors
- Hospital Education – funding as per LA Section 251 2015/16 budget statements
- Area Cost Adjustment – Hybrid methodology, adjusted for special school staffing ratios

6. The below table are the proposed weightings for the new formula factors.

Formula Factor	Proposed Weightings			Data used for illustrative allocations
	SEN (90%)	AP (10%)	Combined	
Population	50%	50%	50%	Latest population aged 2 - 18 projected for 2018 from the Office for National Statistics (ONS)
Deprivation				
Free school meals (FSM) eligibility	8.3%	25%	10%	Number of children eligible for FSM
IDACI	8.3%	25%	10%	Number of children in bands A to F from 2014 ONS population estimates
Low attainment				
KS2 results	8.3%	0%	7.5%	Number of children not achieving level 3 or above in KS2 tests 2011-15
KS4 results	8.3%	0%	7.5%	Number of children not achieving 5+ A* to G in 2011-15
Health and disability				
Children in bad health	8.3%	0%	7.5%	Number of children and young people declared as in bad health in the 2011 census
Disability living allowance (DLA)	8.3%	0%	7.5%	Number of children aged 0-15 for whom parents receive DLA

Proposed Transition Arrangements

7. There are two elements to the proposed transition arrangements:
 - The formula allocations are to include a proportion of LAs historic spending, equivalent to 50% of its planned spending baseline. This means that 50% of the allocation is based on the LAs historic spending and the other 50% would be calculated using the formula factors mentioned previously
 - An overall minimum funding guarantee (MFG) that would mean no LAs high needs block would reduce by more than a specified percentage each year

Distribution of Funding to institutions

8. There are two main proposed changes:-
 - Special units attached to mainstream schools –
 - it is proposed that the pupils are included in the pupil count of the school (pupils on roll at the school), with an additional £6,000 per place funding will be allocated together with any agreed additional top up funding
 - Places that are not occupied by a child on roll at the school or an additional commissioned place will continue to be funded at £10,000 per place
 - The DfE were proposing for the EFA to directly fund the place funding for independent special schools. Due to the lack of support for this proposal, there will be no changes to LA's providing both the place and the top up funding to independent special schools

Funding Floor Adjustments and Gains

9. The calculation for the funding floor will exclude the following factors; basic entitlement; hospital education funding and import/export adjustment. The calculation will protect LAs that would lose funding under the other factors, and no LA will see a reduction in funding compared to their spending baseline. The planned spend for 2017/18 will be used as the baseline calculation for 2018/19 and subsequent years.
10. To ensure affordability, gains will be capped up to 3% per year for 2018/19 and 2019/20.

Local Flexibility

11. The DfE are proposing that local flexibility to move funding between the blocks remains in place for 2017/18 and 2018/19. From 2019/20 when the hard mainstream schools formula has been introduced, the DfE are proposing that mainstream schools will be able to pool funding from their budgets together with funding from the high needs block for schools that require additional support for pupils with SEN, including more inclusive mainstream provision, special units, resourced provision or special schools.

Alternative Provision Funding

12. In the consultation, the DfE have re-iterated their intention for schools to gain more responsibly in the future for commissioning alternative provision (AP) for their pupils, including any whom they have permanently excluded, and the accountability for pupils educational attainment while they are in AP. Various funding models are being considered and further details will follow in due course.

Other Reforms

13. The DfE are also proposing a number of other reforms many of which the DfE will provide further details on or will be subject to further information gathering or consultations.
14. The DfE are going to “look carefully” at the notional SEN budget to provide reassurance to mainstream schools that they have sufficient resources allocated via the national funding formula and possible local flexibility to meet the needs of their SEN children.
15. Currently, special free school places are funded centrally by the DfE. The DfE are considering carefully how place funding for special free schools will work in the future and will undertake a further consultation on this area.
16. There are no proposed changes to how SEN and disability funding is distributed to colleges and other FE institutions, however this will be subject to a further consultation with the post-16 sector on any changes to be brought in from the 2018/19 academic year.
17. Below is the link to the consultation page on the DfE website where all the relevant consultation information can be found.

<https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform/>

Proposal

18. Schools Forum notes the information in the report and a draft response will be brought to Schools Forum for consideration.

Recommendations

19. Schools Forum notes the contents of the report and the consultation documents attached within this report.

For the following reasons:-

To update Schools Forum on the contents of the second stage High needs national funding formula and other reforms.

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