

High Needs Block National Funding Formula

Government Consultation – stage 2

Summary and Implications for West Berkshire

1. Background

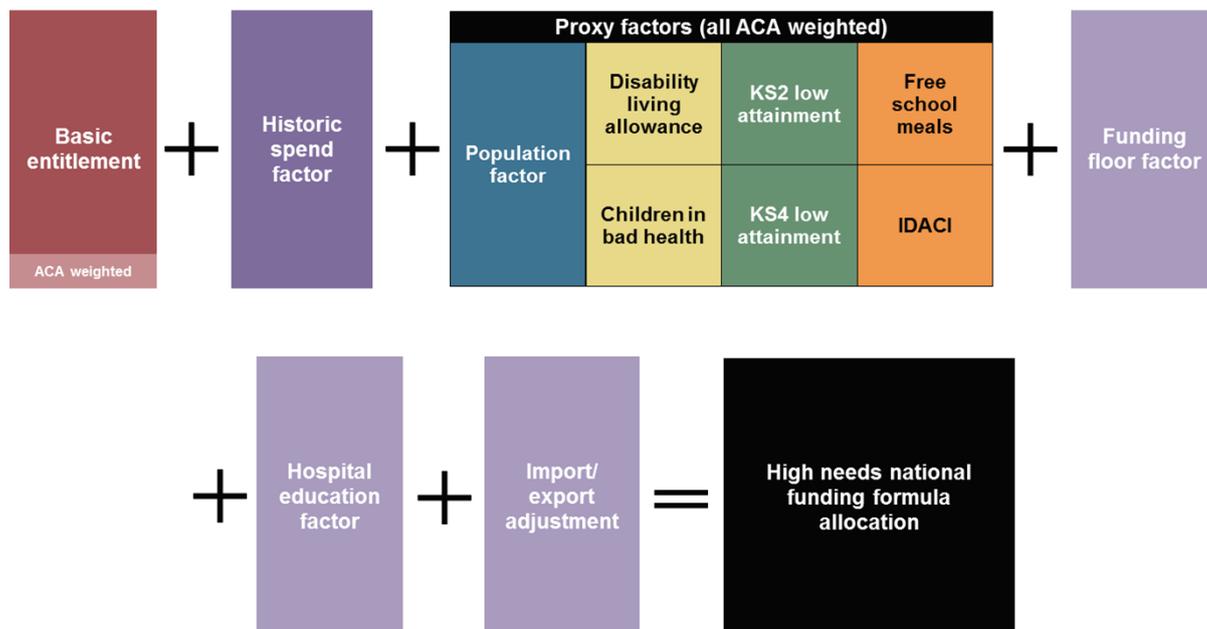
- 1.1 On 14 December 2016 the Government launched its second stage consultation on implementing a national funding formula for the High Needs Block. The consultation questions are set out in Appendix A. The closing date for responses is **22 March 2017**. The relevant documents can be found here: <https://consult.education.gov.uk/funding-policy-unit/high-needs-funding-reform-2/>
- 1.2 High needs funding is currently based on an historical amount which has only had minimal increases over the last several years. The growing numbers and increases in the level of needs of pupils requiring support are not reflected in the funding received, and many local authorities (including West Berkshire) are finding it increasingly difficult to contain the cost of such provision within their funding allocation.
- 1.3 The first stage consultation in March 2016 set out the case for reform and proposed a methodology on which to operate a high needs formula. Both received broad endorsement. The second stage consultation now sets out the proposal for how funding will be weighted across the different factors and what protection will be built in. It does **not** deal with the allocation of funding from the local authority to specialist settings.
- 1.4 Exemplifications based on 2016/17 data have been provided, showing the impact on each local authority.

2. Summary of Proposals

- 2.1 Implementation will be from 2018/19 financial year.
- 2.2 For local authorities that gain funding, the maximum increase will be 3% in 2018/19 and 2019/20 respectively.
- 2.3 For local authorities that lose funding, there will be no cash losses as a result of the high needs formula.
- 2.4 For the next four years, a significant element of the allocated funding will reflect historic spending levels and hence the actual costs of maintaining current high needs provision (set at half the current spend). The remaining

50% will be allocated through proxy factors which are deemed to indicate the level of need in an area.

2.5 The high needs national funding formula will comprise of 9 factors and will be calculated as follows:



2.6 It has already been decided that these factors will be used, and further details on each can be found in the consultation document.

2.7 The question being asked is about the weighting of funding applied to each one, and whether this fairly reflects the relative needs between local authority areas, thus creating a better distribution of funding. The weightings applied are shown in Appendix B.

2.8 There will be a change in the way places in resource units will be funded (not part of the consultation). Rather than deduct the number of places in a resource unit from the school roll in determining the school's formula funding, the resource unit places will no longer be deducted and the actual number of pupils will be funded through the school formula, with the place funding reduced to £6,000. Empty places will be funded at £10,000. For primary schools this will mean a reduction in overall funding.

3. Implications for West Berkshire

3.1 The result of using the proxy factors reduces West Berkshire's high needs funding block allocation by £2.6m or 15%. The use of the historical factor is therefore key in West Berkshire's allocation, given that this counts as 50%. Like the new school formula, West Berkshire loses funding due to the application of deprivation and prior attainment factors. It is difficult to judge whether this is fair or not, and whether these factors have a close enough correlation with high needs demands in West Berkshire. The breakdown of the funding allocation is provided in Appendix C.

3.2 It must therefore be welcomed that no local authority will lose funding based on this formula, and future planning of the high needs budget can be based on this. The basic entitlement funding of £4,000 is outside the “protection” calculation, so if numbers of pupils in high needs provision increases, the funding will too, even with the floor funding in place, albeit that at £4,000 it goes nowhere near funding the cost of such pupil’s needs.

3.3 Given that the Government is protecting all local authorities at their current level of funding, it is difficult to view this as a national funding formula – more a method of allocating additional funding. It is disappointing that a large proportion is being based on proxy factors rather than the actual number of pupils within each local authority that have an EHC plan.

4. Other Areas Covered in the Consultation Document

4.2 **Ring fencing of Schools Block.** Following concerns raised through the first consultation, there will be limited transfers allowed from school funding to the high needs block funding, though this will require the agreement of Schools’ Forum and the majority of maintained schools and academies.

4.3 **A High Needs Strategic Planning Fund** is being allocated to every local authority in 2016/17 to help local authorities review their specialist provision and plan ahead. The expectation is that local authorities will produce strategic plans. West Berkshire’s allocation is £70,549. There will also be £200m of capital investment towards new specialist provision.

4.4 **Alternative Provision** is still under review.

5. Next Steps

4.1 West Berkshire will be responding to the consultation, but schools should respond individually to express their own views on whether the high needs national formula proposals are fair.

6. Appendices

Appendix A – Consultation Questions

Appendix B - National Funding Formula – Factor Values and Weightings

Appendix C – Exemplification for West Berkshire

Consultation Questions

1. In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance?

We ask respondents to bear in mind with the following two questions that we are redistributing funding. Any money that we put into one factor will have to come from another factor. We have indicated what we think is the right proportion or amount for each factor.

2. We are proposing a formula comprising a number of formula factors with different values and weightings. Do you agree with the following proposals?
 - Historic spend factor – to allocate to each local authority a sum equal to 50% of its planned spending baseline
 - Basic entitlement – to allocate to each local authority £4,000 per pupil
3. We propose to use the following weightings for each of the formula factors listed below, adding up to 100%. Do you agree?
 - Population – 50%
 - Free school meals eligibility – 10%
 - IDACI – 10%
 - Key stage 2 low attainment – 7.5%
 - Key stage 4 low attainment – 7.5%
 - Children in bad health – 7.5%
 - Disability living allowance – 7.5%
4. Do you agree with the principle of protecting local authorities from reductions in funding as a result of this formula? This is referred to as a funding floor in this document.
5. Do you support our proposal to set the funding floor such that no local authority will see a reduction in funding, compared to their spending baseline?
6. Do you agree with our proposals to allow limited flexibility between schools and high needs budgets in 2018-19?
7. Do you have any suggestions about the level of flexibility we should allow between schools and high needs budgets in 2019-20 and beyond?
8. Are there further considerations we should be taking into account about the proposed high needs national funding formula?
9. Is there any evidence relating to the eight protected characteristics as identified in the Equality Act 2010 that is not included in the Equalities Analysis Impact Assessment and that we should take into account?

Appendix B

High Needs National funding Formula Factor Weightings

Formula factor	Proposed weightings			Data we have used for illustrative allocations
	SEN (90%)	AP (10%)	Com-bined	
1. Population	50%	50%	50%	Latest population aged 2-18 projection for 2018 from the Office for National Statistics (ONS)
2. Deprivation				
a. Free school meals (FSM) eligibility	8.3%	25%	10%	Number of children eligible for FSM
b. Income deprivation affecting children index (IDACI)	8.3%	25%	10%	Number of children in bands A-F from 2014 ONS population estimates
3. Low attainment				
a. Key stage 2 (KS2) results	8.3%	0%	7.5%	Number of children not achieving level 3 or above in KS2 tests in 2011-15
b. Key stage 4 results	8.3%	0%	7.5%	Number of children not achieving 5+ A* to G GCSEs in 2011-15
4. Health and disability				
a. Children in bad health	8.3%	0%	7.5%	Number of children and young people declared as in bad or very bad health in the 2011 census
b. Disability living allowance (DLA)	8.3%	0%	7.5%	Number of children aged 0-15 for whom parents receive DLA

Appendix C

High Needs National Formula - Exemplification for West Berkshire				
West Berkshire Area Cost Adjustment = 1.05 (same as Reading and Wokingham)				
Range from 0 to 1.20 (Inner London)				
			1.0517	
	Unit £	Pupils	Add ACA	Funding
Historic Spend @ 50%				£8,866,320
Population	£110.21	34,341	36,116	£3,980,554
Free School Meals	£214.93	1,620	1,704	£366,182
IDACI Band F	£32.33	814	856	£27,679
IDACI Band E	£42.14	1,083	1,139	£47,996
IDACI Band D	£59.14	0	0	£0
IDACI Band C	£57.95	321	338	£19,565
IDACI Band B	£67.72	443	466	£31,549
IDACI Band A	£96.04	0	0	£0
Bad Health	£2,860.01	117	123	£351,920
Disability	£519.67	1,020	1,073	£557,467
KS2 Low Attainment	£1,306.40	366	385	£502,863
KS4 Low Attainment	£1,345.67	260	273	£367,965
TOTAL HISTORIC SPEND & PROXY FACTORS				15,120,060
BASELINE FOR FUNDING FLOOR				17,732,639
Negative Difference = Funding Floor				2,612,579
Formula Funding as above				17,732,639
add: Basic Entitlement	£4,000	424	£4,207	£1,783,683
add: Hospital tuition				20,000
Import/Export Adjustment	£6,000	-58		-348,000
HIGH NEEDS NATIONAL FUNDING FORMULA				19,188,322