

<b>Schools Forum</b>			
<b>REPORT TITLE</b>	<b>ISOS High Needs Funding Report</b>		
<b>KEY DECISION</b>	<b>No</b>	<b>Item No.</b>	<b>8</b>
<b>CLASS</b>	<b>Part 1</b>	<b>Date</b>	<b>1 October 2015</b>

### 1. Purpose of the Report

The Department for Education (DfE) commissioned last year research into High Needs funding arrangements and practices. The research team were asked to suggest ways in which it might be improved. This report looks at those findings and assesses the possible impact on Lewisham.

### 2. Recommendation

The School Forum note the report

### 3. Background

3.1 Over the past few years there have been significant reforms to education funding arrangements. This has included changes to the way in which support for young people with High Needs have been funded.

3.2 The Children and Families Act 2014 places important new statutory duties on local authorities. These include replacing SEN statements and learning difficulty assessments with integrated 0-25 education, health and care needs assessments and plans and bringing parity of rights for those in early years settings, schools and post-16 institutions.

3.3 In the summer of 2014, the Department for Education (DfE) commissioned Isos Partnership to undertake research into the funding arrangements and practices. The research team were asked to analyse the reasons for differences between spending patterns in different local authorities and the options for changing the ways in which high-needs funding is distributed.

3.4 The full report was published in July 2015. A summary of the recommendations and comments can be found below. The full report can be found via this link

<https://www.gov.uk/government/publications/funding-for-young-people-with-special-educational-needs>

#### **4. The ISOS partnership report recommendations**

##### **4.1 National-to-local distribution of high-needs funding**

**Issue:-** The current funding is based on an historical amount per pupil for each Local Authority.

**ISOS Recommendation:-** The DfE should consider moving to a formula for the allocation of the high needs block to local authorities. They suggest a range of factors that might be used in such a formula, including factors related to deprivation, prior attainment, disability and children's general health.

**Comment:-** This could have a major impact for Lewisham and a more detailed analysis of this is provided in section 5 of this report

##### **4.2 How effectively schools are providing the first £6,000 of additional support**

**Issue:-** The first £6,000 of support to a high needs pupil is provided by the school out of the schools budget. This funding is not distinguishable as a discrete item within the budget but is assumed within the overall level of the budget. There is no set guidance on what should be provided within the £6,000.

**ISOS Recommendation:-** To reduce the funding inequities between schools which are highly inclusive and those which do not have a strong culture of inclusion, local authorities should work with their schools to agree a "core entitlement" that all schools in a local area will provide for children and young people with SEN as a matter of course. This agreement should be published as part of the local offer. The DfE should also consider publishing clearer national directions on this subject to provide a consistent national framework against which local offers and agreements might be developed. Greater local transparency, particularly if reinforced by sharper national direction, should have the effect of clarifying expectations of the system and create greater consistency in what schools should be looking to do within the first £6,000 of additional support.

**Comment:** specifying the expectations of schools will be helpful but uncertainty will remain while discussions focus on the notional £6,000 funding amount built into the current funding regime without it being clearly identifiable and this needs to be addressed.

##### **4.3 How well notional SEN budgets are functioning**

**Issue:-** The notional SEN concept isolates £6,000 funding for each High Needs pupils. As funding is allocated on the basis of proxy indicators it is not possible to prove this £6,000 within every school budget.

**ISOS Recommendation:-** The DfE should consider removing notional SEN budgets from the funding system for mainstream schools. We consider that setting out clearer expectations of what all schools should provide for pupils with SEN, communicating clearly how core funding is calculated, and a simple financial planning tool to guide schools' decisions about spending on SEN would mitigate the risk that the system is not yet mature enough in its approach to providing for SEN to enable notional SEN budgets to be removed.

**Comment:-** As the £6,000 is a notional amount it is not identifiable as a discrete sum for allocation to the High Needs block for each school. A change in the funding system will mean there will be winners and losers. However a move to clearly identifiable funding would be welcome.

#### 4.4 **Local authority practices in allocating money outside the formula**

**Issue:-** Schools are provided with extra funding over and above the £6,000. Local authorities allocate funding on different criteria.

**ISOS Recommendation:-** The DfE should consider providing clearer direction for local authorities on the circumstances in which they can provide additional funding outside the formula to schools, and a short menu of options for the criteria that may be used for allocating this. This would ensure greater consistency in practice and mitigate the risk that some highly-inclusive or small schools will be unable to meet the costs of the first £6,000 of additional support from their budgets.

**Comment:-** The needs of SEN pupils vary considerably even within a Local Authority. Local flexibility to determine the funding is essential to ensure the needs of the pupils are met.

#### 4.5 **Core funding for SEN in early years settings**

**Issue:-** There is uncertainty over the funding arrangements for children in early years settings with High Needs

**ISOS Recommendation:-** To address these issues local authorities should work with providers to establish clear expectations about the support pre-school settings are expected to provide from within their core funding, and the circumstances in which additional advice, training or resources will be provided.

The DfE should set out, through existing published resources or webinars, a practical reminder of the ways in which local authorities can fund SEN provision in pre-school settings. Much of this information is already available, and some local authorities are using it effectively. Nevertheless, there would be value in providing practical reminders.

#### 4.6 **Core funding for special schools, resourced provisions and SEN units pre-16**

**Issue:-** There is inconsistency in planning of specialist places and funding outcomes, leaving an increasing pressure on special school places.

Smaller highly specialist schools and those with highly-mobile populations are finding the new funding arrangement challenging.

**ISOS Recommendation:-** There should be a more explicit role for local planning and commissioning of places in specialist settings, in which local authorities, in collaboration with schools, would play a central role. We envisage that this would be an explicit commissioning role in respect of designated specialist places in state-funded special schools, in resourced provisions and units in mainstream schools, and in early years settings. For non-maintained special schools, we consider that there could be a small co-ordinating role for the EFA to play, informed by the commissioning decisions of the local authorities. This would be in line with local authorities' statutory duties, and would provide scope to plan provision strategically to meet in-year changes and longer-term needs. The DfE may wish to consider the steps to be put in place to enable local education systems to develop such approaches. We have also suggested that there should be a more explicit process for accessing capital funding to develop new SEN provision where it is needed. This last point applies equally to schools and post-16 institutions.

Local authorities should use these flexibilities, through their banding frameworks and partnership approaches, to prevent small specialist providers from becoming unviable due to short-term fluctuations in pupil numbers.

**Comment:-** This recommendation is along the lines of the current system. There needs to be sufficient capacity within Local Authorities for the commissioning process to take place. The funding needs to be linked to the planning process to meet the demand.

#### 4.7 **Core funding for SEN post-16**

**Issue:-** The funding for post 16 high needs is different from schools which causes confusion. Funding and needs do not always match.

**ISOS Recommendation:-** To address this issue, we propose that what is currently high-needs place-led funding for post-16 institutions (so-called "element 2") should be included in the formula allocations for mainstream post-16 providers. This option would preserve the principle of equivalence in SEN funding across the different pre- and post-16 funding systems. It is also aligned with what we are proposing in terms of reforming SEN funding in mainstream schools, and would thus ensure equivalence between the school and further education (FE) sectors.

Instead, we propose that places in SPIs should be funded at £10,000 per planned place, with top-up funding provided above this level, so that there is consistency with post-16 places in special schools and non-maintained special schools. We suggest that the same approach is used to fund designated resourced provisions and units in mainstream post-16 institutions.

**Comments:-** Aligning the methodologies more closely seems sensible but there is a danger of having winners and losers from this.

#### 4.8 **Top-up funding**

**Issue:-** There are inconsistent approaches to top-up funding within and across local authorities. The system had created additional bureaucracy.

**ISOS Recommendation:-** The DfE should develop and publish a set of principles or minimum standards for the effective operation of top-up funding. This could entail bringing together existing published material on top-up funding, but the DfE may wish to consider whether additional principles or standards would enable more effective approaches to top-up funding. Local authorities should publish information about their top-up funding arrangements, including both their banding or top-up values and their top-up practices, including named points-of-contact, timescales and review requirements.

Local authorities should establish processes for accessing practical advice, capacity-building support and top-up funding so that the statutory assessment process is not the sole means of accessing this support. Such approaches could be applied across early years settings, schools and post-16 institutions to foster dialogue, build capacity and secure better outcomes.

**Comment:-** Top-up values and banding is already in the public domain in Lewisham. While standard principles are welcome, as much flexibility locally is required by Local Authorities to determine funding is essential to ensure that pupils' needs are met. National principles may increase the costs of support.

#### 4.9 **Funding support for children and young people with very high needs**

**Issue:-** The needs of some pupils are so great that the costs fall on both Local Authorities and Health services, there is no clarity on how these costs should be allocated. Planning provision for these pupils is difficult as they are such a small cohort.

**ISOS Recommendation:-** The DfE should consider publishing joint guidance with the Department of Health (DH) and NHS England that clearly describes the role of clinical commissioning group (CCG) leads in SEN and sets out which aspects of provision should normally be funded by education services and which should be funded by health services.

The DfE should consider piloting sub-regional or regional approaches to joint strategic commissioning of provision for very high-need low-incidence SEN. Doing this in areas where there is a history of successful collaboration would provide a basis for testing more systematic regional partnerships.

**Comment:-** Further clarity in this area is needed and this proposal would be welcome. However LA negotiations with local CCG's mean that LA's benefit from CCG contributions towards other costs which might be lost through this process.

#### 4.10 Overall comments

Local Authorities that have a lack of school provision might need to be supported due to the cost of supporting placements outside of the local authority because development of local provision is not possible or at least challenging in terms of securing access to capital funds.

It is pleasing to see that consideration of the high needs block is not being undertaken in isolation from the schools block or the individual schools budget. Past decisions on the funding for high needs pupils have influenced the level of SEN in the schools budget. Some authorities have higher levels of notional SEN in the DSG which in turn sits along side a lower level of funding in the High Needs block. However the notional SEN is not a true indicator of spend on SEN and consideration of this issue needs to go further. Some authorities moved funding into the basic entitlement when the need across the authority was more general rather than variable between schools creating differences between authorities.

### 5 Possible impact of a change in the National-to-local distribution of high-needs funding (as described in section 4.1)

5.1 The current funding system was created in 2013/14 when the Dedicated Schools Grant was split into its three components parts, the schools block, early years block and high needs block. The way the high needs block was created was by taking for each Local Authority the expenditure as detailed in the S251 statement and determining which spending block the expenditure should fall in. (The S251 is the statement by which Local Authorities report their spending to the DFE). There have been a number of technical adjustments to the high needs blocks since then such as bringing the FE college high needs students into the funding system.

The High Needs block has not been converted to an amount per pupil but is quoted as an overall total. Since 2013/14 the funding has not increased for inflationary pressures and has stayed cash frozen. This represents a real terms cut of about 3%.

Increases to pupil numbers have only been recognised through a bidding process. The process starts in the Autumn term when Local Authorities ask for significant increases in pupil numbers in individual institutions. In the bidding processes for the 2015/16 financial year the significant increase had to be more than 10% of places commissioned at the individual institution. Consequently small increases in pupil numbers in each institution are not funded. The cost of which has to be borne within the High Needs block. For 2015/16 Lewisham received no extra funding for growth, with pupil growth around 3% this equates to a loss of funding of £1m.

5.2 The Lewisham High Needs Block is proportionally one of the highest in the country, the exact ranking depends on how you calculate our position. The table

below calculates it in three ways. Lewisham's High Needs block currently stands at £43.5m.

2014-15 DSG	High Needs Block	43,420,598
	Total DSG	268,560,818
	Pupils	42,389
	High Needs Block per pupil	1,024
	Rank	2
Summary of Schools Block Funding 2014-15 for SEN		
	Total Funding (excl. MFG)	191,286,247
	Total Notional SEN (excl. MFG)	28,379,007
	Notional Sen Total - proportion of funding	14.84%
	Rank	14
	Notional SEN per pupil	669
	Rank	6

- 5.3 For the 2015/16 financial year the government added to the schools block extra funding of £390m to those local authorities they believed to be the lowest funded. If this was followed through the High Needs block the table above would imply that Lewisham is unlikely to receive any funding.
- 5.4 Whether ministers would have a desire to reduce authorities funding is an unknown, there has been a reluctance to pursue this for schools' formula allocations to date. It is thought this may change shortly (see paper on DSG Funding Formula agenda item 7 of this meeting).
- 5.5 If ministers were to make adjustments to Local authorities funding which included redistribution of funding across Local Authorities it is difficult to judge the impact of the introduction of a funding formula. In the ISOS report the proxy indicators suggested for distribution of the high needs block are as follows.
- 5.6 **Deprivation**

The report identified a number of possible deprivation indicators that could be used. The suggested indicators include those that are used in the schools block (new funding formula) and other indicators such as poverty.

The two statistics that are used currently are

Pupils who have been eligible for free school meals in the past six years

Pupils who live in an area that is in one of the income deprivation affecting children index (IDACI) bands.

**5.7 Prior attainment**

For the primary measure, this would apply to pupils who did not reach the expected level of development on the new Early Years Foundation Stage Profile or who achieved fewer than 78 points on the old EYFSP. For secondary pupils the minimum funding level applies to pupils not reaching L4 at KS2 in either English or maths.

**5.8 Disability Living Allowance**

DLA is payable to children who need help with personal care or have walking difficulties because they are physically or mentally disabled. It is not means-tested and is unaffected by income or savings of the claimant. DLA provides support for paying with additional care or mobility requirements associated with a disability.

Data is published by the Department for Work and Pensions (DWP) and is updated quarterly. Breakdowns are published with the reasons for claim, such as learning difficulties and behavioural disorders. The data provided at the time of the call of evidence stems from 2013 and taking the mid year population and young people under the age of 24 we rank 22 highest of all the local authorities

**5.9 Children’s general health**

The data available stems from 2011 and is broken down into “Long term health problem or disability where Day-to-day activities were limited a lot, Day-to-day activities limited a little Day-to-day activities not limited”. A further category is provided of “Very good or good health”, “Fair health” and “Bad or very bad health”. The data is provided in two groups: population aged between 0 and 15 and 16 to 24. There are numerous ways you could analyse this data the mostly likely would see a ranking of between 14 and 25 for Lewisham. General Health is a self-reported indicator from the last general population census.

5.10 From the data sources currently available Lewisham’s rankings are a follows

Current Ranking	Ranking amongst LA’s
<b>High Needs block Per Pupil</b>	
Notional SEN	2
Proportion of funding ISB	6
<b>New Proxy indicators</b>	
Deprivation – Free Schools Meals	22
Deprivation – Free Schools	30

Meals “Ever 6”	
Attainment – Early Years Foundation stage	151
Disability	22
General Health	14

- 5.11 Lewisham at the moment looks statistically one of the better funded authorities in financial terms from the rankings. This does not take into account need.
- 5.12 One of the adjustments to the funding that has taken place is the area cost adjustment which reflects the higher costs of London. When the Area Cost Adjustment existed as a discrete calculation for inner London this stood at 29%. In the recent allocation of the £390m the judgements on which authorities should receive extra funding set this at 20%. It is likely a new funding formula on the High Needs block would likewise dampen the area cost adjustment. We have also see with funding on the pupil premium, where no account has been taken of the higher costs in inner London.
- 5.13 From the above unless funding levels are guaranteed at their current levels it would appear that the introduction of a new national method of funding allocations would see a reduction in funding.

## **6. Conclusion**

Our current level of funding compared to the rest of country is one of the highest. This should not be taken in isolation as needs of pupils and area costs need to be taken in account. In a time of austerity and reductions in public spending, resources will be scarce and it is likely that any available resources will be targeted to those deemed to be the lowest funded. The best case scenario for us is there is a move to link funding to the level of pupil numbers, allowing our pupil growth to be recognised and funding to follow

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