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**Report to: Schools Forum**

**Date 11th March 2021**

**Report of: John Betts, Interim Finance Business Partner (Education & Skills)**

**Title: High Needs Block consultation**

**Status For comment and subsequent agreement**

The DfE issued a consultation on high needs bock funding on 10 February. The consultation publication is an annex on the agenda. The consultation runs until 24 March, for just six weeks.

It is important to note that this is not a consultation on any fundamental review of the High Needs Block. There is a more fundamental SEND review going on nationally, that reviews the reforms generated by the Children and Families Act 2014. Any review of the High Needs Block will need to ensure that the financial framework is consistent with that review, in that it needs to ensure high quality, sustainable, and integrated service delivery across education, health and care.

This particular consultation just focuses on two specific factors within the formula (historic spend and attainment data).

**Historic Data**

There is a logic to using a historic spend factor. It acknowledges that existing patterns of provision can take a long time to be changed, without creating undue turbulence in local SEND systems, which in turn would have negative impacts on outcomes for children and young people. However, against that, the protection arrangements currently in place provide a minimum percentage increase per pupil for every Local Authority (and an overall “floor” increase).

The main proposal is to update the historic spend factor using actual 2017/18 spending levels for each Local Authority, instead of the budgeted amount. The rationale here is not made explicit by DfE, but it does seem to be a response to increased numbers of Local Authorities reporting considerable overspends on their Dedicated Schools Grant and within the High Needs Block, in particular.

The results of the DfE proposal, for each Local Authority are shown in an annex, in terms of the change in the historic spend factor and the percentage change in the total High Needs National Funding Formula per pupil compared to 2020/21. It looks as if Birmingham benefits from this approach (it receives the maximum increase of 12%). However, the actual cash difference for each Local Authority, across the full National Funding Formula, if this change were implemented, isn’t identified in the Consultation. So, it’s difficult to take a view on whether Birmingham would gain more (and, therefore, receive funding more in line with need) if an alternate approach was adopted.

**Attainment Data**

In terms of attainment data, DfE propose to update the data series for Key Stage 2 and Key Stage 4 by rolling it forward a year. This would use five years’ data from 2016, but given the situation with SATs and GCSEs, they would have to substitute the most recent 2019 data in place of the missing 2020 attainment data. This appears to be a reasonable suggestion.

**Conclusions**

The biggest issue facing High Needs Block funded services relates to the totality of resources in the system as a whole. If the cake is sufficiently large, there are fewer arguments around how it gets sliced up. However, this is, unfortunately, outside the scope of this consultation. Even then, the system needs to be designed so that resources are targeted where there is genuine SEND spending need. The proposals in the consultation tinker around the edges, rather than fundamentally address that issue. To take a reasoned view, we will need to know more about the national SEND review. Until then, it is proposed that we broadly agree with maintaining a historic spending factor at its current level, but that is conditional on a fundamental review of the quantum of funding necessary nationally, as well as a review of how best to then target those resources to best meet need. A proposed response is attached or comment by Forum members.

*Question 1 - 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?*

**In principle, agree that if local authorities have faced inescapable SEND costs that have seen them overspend, then that is a better basis for historic spend than (outdated) budgeted spend. However, this is not a long term solution. DfE needs to consult more fundamentally on a range of indicators that better reflect the need to spend on SEND and this needs to be consistent with the national review of the reforms generated by the Children and Families Act 2014.**

*Question 2 - 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%?*

**We would disagree that the proportion affected by historic data in the formula should be increased. As the Consultation itself identifies, historic spend can also reflect aspects of the local system (such as where there is poor value for money) that should not be reinforced through national funding allocations. Past levels of spending may also no longer reflect current patterns of need. So the proportion should be left at 50%, pending a more fundamental review of how best to reflect local need to spend.**

*Question 3 - 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.*

**We do not currently have a view on which factors could eventually replace the historic spend factor. We believe this will be better answered when the outcomes of the national SEND review (and the impacts of the Children and Families Act 2014) are known. We would state that any new formula needs to be better aligned with need than the current formula.**

*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.*

**We agree that this seems a reasonable way forward.**

*Question 5 -* *‘Following the SEND review we will consider whether consequent changes to the proxies we use in the funding formula would be appropriate: it is important that the proxies used represent the factors that will best reflect spending pressures on local authorities’ SEND services, following any reshaping of those services in the light of the review outcomes. At the next stage of consultation we will also consider whether there are new factors that could either replace existing factors, for example those that may have become out of date, or that could be added to the formula to address particular types or prevalence of identified need. In addition, we will also look at how we fund SEND support in mainstream schools. 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.*

**We would want to understand more about the impact of the fundamental SEND review going on nationally, before commenting further on any proxies, as the funding system needs to be aligned with any new approach. The past year has demonstrated that the demands on mental health services are a key concern and would raise that this needs to be reflected in any new formula, but acknowledge that a suitable proxy indicator does need further thought.**