

**Manchester City Council  
Report for Resolution**

**Report to:** Schools Forum

**Subject:** High Needs Block Consultation reviewing High Needs National Funding Formula allocations

**Report of:** Directorate Finance Lead – Children Services and Education

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**Summary**

The Department of Education (DfE) published a consultation document on the 10<sup>th</sup> February 2021 for consideration and response on key changes to the high need block National Funding Formula (HNNFF) for financial years 2022/23 onwards.

If a school, school representative or Schools Forum would like to complete a response to the high needs block consultation please see below link:

**<https://consult.education.gov.uk/funding-policy-unit/high-needs-nff-proposed-changes/>**

The deadline for responding to the consultation is 24<sup>th</sup> March 2021.

The consultation responses are still being formulated through collaboration with Education and Finance. Any further updates will be provided in the meeting.

**Recommendations**

All Schools Forum members are asked to note and comment on HNNFF consultation raised in this report.

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**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

**Previous Reports:**

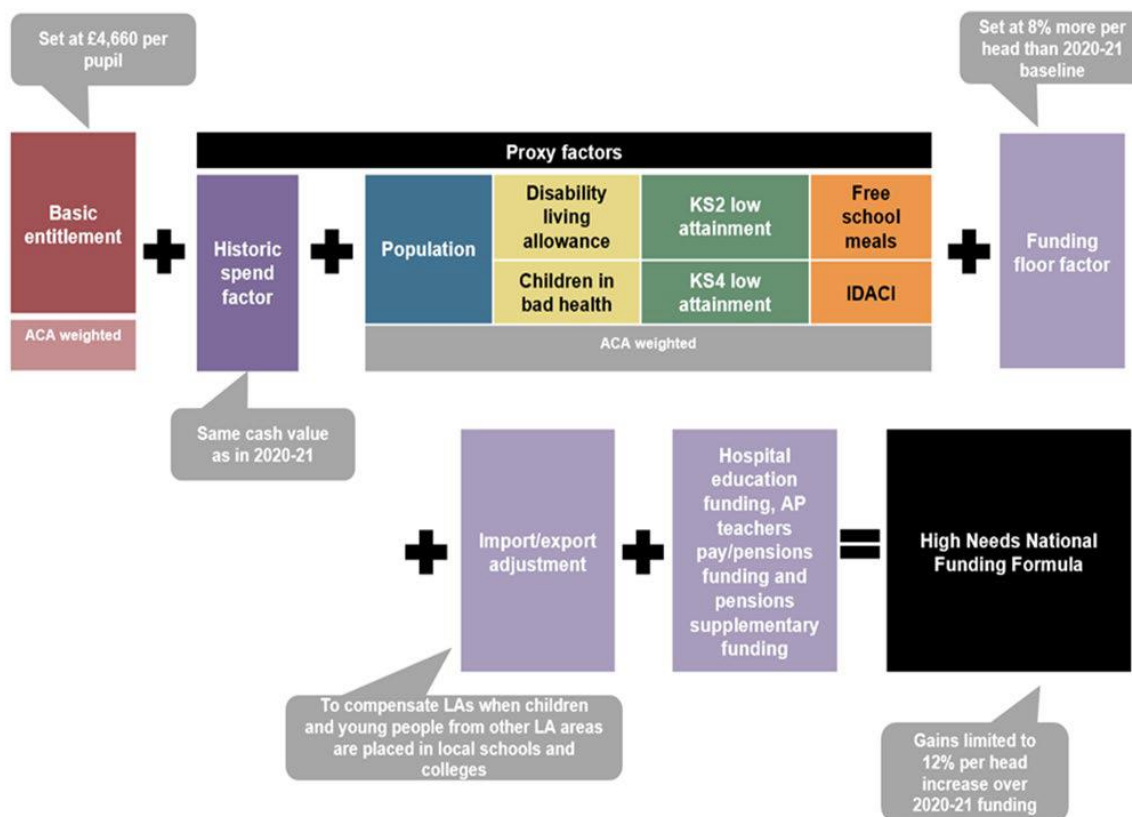
18 <sup>th</sup> January 2021	Dedicated schools Grant 2021/22
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# 1. INTRODUCTION

1.1 The high needs block is for those pupils or students who require provision that would not normally be available within the delegated resources of a mainstream school. It is also for pupils who would require additional targeted resources in order to meet their needs in a mainstream setting or placement in a specialist setting, such as a SEN resource unit or a special school. It enables both councils and providers to meet their statutory duties under the Children and Families Act 2014. High needs funding is also intended to support good quality alternative provision (AP) for pre-16 pupils who cannot receive education in schools and further education placements where pupils remain in education up to 25 years.

1.2 The HNNFF considers a number of weighted factors that combine to create the block allocation, please see Figure 1 below. Previously it was based on historical allocations plus small annual amounts of growth. This is the second year of the three-year schools funding settlement announced in September 2019, the high needs block has received significantly increased grant allocations to support the recognised growing SEND pressures.

Figure 1: Breakdown of the HNNFF for financial year 2021/22



## 2. Summary of Key Considerations

- 2.1 The consultation can be split into two themes:
- Primarily focused on the historic spend factor in the high needs national funding formula used to distribute high needs funding to individual local authorities. These proposals have a potential to impact on financial year 2022/23 funding allocations.
  - Longer term review of all funding factors within the high needs funding formula which will support further consultation linked in with the SEND review in Spring 2021.
- 2.2 To provide further context, during the introduction of the national funding formula in financial year 2018/19 it was decided that part of the funding should be based on historic levels of funding. This was based on planned or budgeted expenditure on the high needs block in 2017/18. This was originally intended to be a short-term measure.
- 2.3 The DfE are now suggesting that rather than be based on budgeted expenditure it should be based on actual expenditure in 2017/18. For Manchester this is a higher figure as there was an overall overspend on the high needs block in 2017/18. In addition, as 2017/18 expenditure is now lower in relative terms as a proportion of overall high need funding it is being suggested the weighting of this factor should increase.
- 2.4 For Manchester using actual expenditure would increase the 2017/18 historic spend from £70.934m to £73,934m and the historic spend factor element within HNNFF from £31,740m to £32,950m. This overall increase in the historic spend factor element would lead to an increase £1.210m (0.3%) in Manchester HNNFF if all other funding factors remained unchanged. This actual increase is due to Manchester not being subject to funding floor or capping.
- 2.5 The DfE are suggesting that the historic spend factor could be replaced from 2023/24 and are asking for views as to other possible funding factors that could be used.
- 2.6 The consultation also asks for views on the composition of the prior attainment factor this currently uses the last 5 years KS2 and KS4 assessment data. The DfE has highlighted that for both 2020 and 2021 this data is no longer a reliable indicator; their suggestion is to repeat 2019 data, but they are seeking views on this.
- 2.7 The final question focuses on longer term changes to the funding formula in 2023/24 following on from the wider consultation promised for Spring 2021. The DfE are asking for views on both existing proxy indicators and options for new proxy indicators that could be used that will better reflect Special Education Needs & Disabilities (SEND) and Alternative Provision (AP) in local areas. The

DfE have highlighted that these need to use data that is reliable and consistent and not create perverse incentives.

### 3. Draft Consultation

#### I. Updating the historic spend data to 2017/18 actual rather than using planned 2017/18 spend used previously. (Implications relate to 2022/23)

*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.*

*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?*

Response:

#### **Agree**

Manchester Council agrees to this proposal.

#### Comments

Changing the lump sum basis to actual local authority expenditure for financial year 2017/18 seems more reasonable as it outlines the most recent High Needs Block position for all local authorities before moving to the National Funding Formula for financial year 2018/19. This will provide support for the significant number of special school places that have been established in Manchester year on year to support demand pressures.

By continuing to use the planned expenditure for financial year 2017/18 would not be reflective of all local authority current financial circumstances and could cause further inequality across high need funding nationally before future changes are made.

#### II. Changing the proportion that historic spend represents in the overall HN formula. (Implications relate to 2022/23)

*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.*

*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.*

Response:

### **Maintain at 50% level**

Currently only 50% of the historic spending factor on financial year 2017/18 is provided within the HNNFF. The consultation asked for views on whether the proportion of historic spend funding should be reduced, increased or maintained at 50%.

Manchester Council should ensure that the proportion of historic spend remains at 50%. There would be too much uncertainty on which elements of funding would reduce in proportions to cover change on the historic spend.

### Comments

The percentage of actual expenditure for financial year 2017/18 should be maintained at 50%. I understand that local authorities will want certainty of funding and budget stability but increasing the significance on historic spending on current budget calculations does not seem to be an effective model.

This will reduce the significance of local factors (e.g. population growth or deprivation) and proxy measures. By increasing the significance on historic spending does not align with the targeted funding model which all organisations are striving for as funding should be provided where required.

There are already protection mechanisms in place within the national funding formula (e.g. funding floor) to ensure all local authorities have at least 8% increase per head of funding on financial year 2020/21.

- III. Considering extent to which historical factors should be included in funding formula that reflect local demand for and supply of SEND and AP provision. Then provide ideas for alternatives to historic spend to replace that element in formula. (Implications relate to 2023/24)**

*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).*

*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.*

Response:

**Agree**

Comments

Historical factors should still be part of the funding formula in financial year 2023/24 onwards as it will continue to explain most of the funding spent by local authorities outlined by providing place and top-up funding for local authority schools for SEND and AP provision.

Spending trends in local authorities related to High Needs funding have altered in recent years in striving for value for money and due to the current financial circumstances local authorities see themselves in.

Ideas for alternatives to historical factors need to be considered in further detail by Education leads and I will be asking for special school headteachers views. It would be useful to understand from current pupil data collected and reported to the ESFA what information could better quantify SEND and AP provision in local areas.

One consideration without introducing any alternative factors would be to reduce the significance of the historical spend factors whilst increasing the funding rates and weightings on the current proxy measures. This should allow for a more targeted model with inclusion of the historical spend factor which should not subject local authorities to significant swings year on year.

Another consideration is that actual numbers of High Needs places in an area should be reflected in funding allocations whether in specialist provision or mainstream SEN units. This should not be seen as a perverse indicator as Manchester has built in-house capacity for SEND provision to prevent use of costly Independent placements.

**IV. How to fill gaps in attainment data in formula. (Implications relate to 2023/24)**

*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.*

*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?*

Response:

**Agree**

Comments

In the current circumstances this seems a fair approach to take given there is a high correlation between low attainment and SEND.

Other attainment data that has still be collected during pandemic may support more accurate allocation of low attainment:

- i. Early Years Foundation Stage Assessments
- ii. Phonics Assessments

**V. What proxies might be used for SEND and AP metrics. (Implications relate to FY 2023/24)**

*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.*

*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

As outlined in question 3 that the current proxy measures could also be given more significance in the funding formula.

A broad range of factors should be considered, in particular that deprivation should be given a greater weighting. There are clear links between deprivation and developmental and behavioural issues. Should we be including factors relating to the health and deprivation of the whole population in an area as some types of SEND correlate strongly with poverty.

What would be most helpful is to find a way of rewarding the most inclusive schools. The current system (as recognised by the SEND review) provides schools with perverse incentives to apply for EHCPs, so I agree that we should not use numbers of EHCPs as one of the proxy factors.

Growth in the Further Education and Post 16 sector should be taken into consideration including up to the age of 25. This is one of the significant pressures within our high need block and it is not currently considered as part of the generating funding allocations within HNNFF except as part of recoupment deductions. Currently the demographic proxy factor only incorporates children and young people aged 2 to 18.

#### **4. RECOMMENDATIONS**

- 4.1 The Local Authority has provided a draft of their response Forum may wish to consider if their own response to the consultation outlined in the report.
- 4.2 All Schools Forum members are asked to note and comment on High Needs National Funding Formula.

