DERBYSHIRE COUNTY COUNCIL

Rep 712

Agenda Item 7

SCHOOLS FORUM

5th October 2017

Report of the Strategic Director for Children’s Services

High Needs National Funding Formula

1. **Purpose of the Report**

To inform the Schools Forum of the government’s High Needs Block funding formula.

1. **Information and Analysis**

**2.1 High Needs Block Formula Overview**

In September 2017 the DfE announced details of the High Needs Block funding formula which will apply from April 2018 and which will allocate funding to LAs: individual institutions’ allocations will continue to be driven by local formulae.

The High Needs Block has benefited from the additional £1.3 billion the government has made available across 2018-19 and 2019-20. Local authorities will see gains of up to 3% per year in both years. No LA will lose funding in cash terms and will see minimum increases of 0.5% per head in 2018-19 and 1% in 2019-20 due to a more generous funding floor than was originally proposed in December 2016.

A diagrammatic representation of the national formula is shown below:



The high needs formula will allocate funding on the following basis:

**Basic entitlement** – as originally proposed, a flat rate of £4,000 for each pupil in a special school or specialist post 16 institution, the rate mirrors what mainstream schools receive through the schools national funding formula for their pupils with high needs, and all institutions receive through the post-16 national funding formula.

**Historic spend** – around 50% of the quantum will be allocated on the basis of historic spend to ensure turbulence is manageable; the spending figures have been based on LAs’ planned spending in 2017-18. These historic allocations will remain as cash figures for 2019-20 and will not be updated using data from 2018-19.

**Proxy factors** – the remaining funding will be allocated on the basis of population (50%), deprivation (20%), health and disability (15%) and low attainment (15%). The percentages are as originally proposed as these generally received a good level of support from consultees.

The DfE table below shows the data inputs and weightings for each formula factor.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Formula factor**  **(& amount distributed in 2018-19)** | **Weightings** | | | **Data used for allocations** |
|  | **SEN** | **AP** | **Combined** |  |
| 1. Population (£1.4 billion) | 50% | 50% | 50% | 2-18 population projections for 2018 from the Office for National Statistics (ONS) |
| 2. Deprivation (£541 million)  a. Free school meals (FSM) eligibility | 8.3% | 25% | 10% | Number of children eligible for FSM as recorded in the January 2017 school census |
| b. Income deprivation affecting children index (IDACI) | 8.3% | 25% | 10% | Number of children in bands A-F, using 2014 ONS population estimates |
| 3. Low attainment (£406 million)  a. Key stage 2 (KS2) results | 8.3% | 0% | 7.5% | Number of children not achieving level 3 or above in KS2 tests in 2012-15 and not attaining a scaled score in 2016 |
| b. Key stage 4 results | 8.3% | 0% | 7.5% | Number of children not achieving 5+ A\* to G GCSEs in 2012-16 |
| 4. Health and disability (£406 million)  a. Children in bad health | 8.3% | 0% | 7.5% | Number of children and young people in bad or very bad health, as reported in the 2011 population census |
| b. Disability living allowance (DLA) | 8.3% | 0% | 7.5% | Number of children aged 0-16 for whom parents receive DLA as at November 2016 |

There will be an Area Cost Adjustment (ACA) to recognise the higher costs that some LAs in the south of the country face. The ACA will use a “hybrid” model that takes into account general labour market trends, but will also reflect the particular salary variations in the teaching workforce and will use data specific to special schools.

One of the concerns expressed in the consultation related to population growth and how increases in the number of children and young people with high needs would be reflected in the formula, particularly for LAs such as Derbyshire where their funding is protected by the funding floor. In response to these concerns the DfE intend to calculate the funding floor on a per-head basis to ensure that LAs with growing populations receive extra funding.

**2.2 Financial impact on Derbyshire**

An analysis of Derbyshire’s indicative HNB allocation is provided at Appendix 1. Most of the allocations are confirmed, however the hospital education and import/ export adjustment will be refined by the DfE either later this year or in January 2018 in the light of updated information. On a like for like basis the net increase in funding is £0.218m, equivalent to 0.32% of the overall high needs block.

Many of the individual formula multipliers announced in September are higher than in the December 2016 consultation proposals, and these increases, coupled with data changes, have had the effect of reducing Derbyshire’s floor protection from £1.722m to £0.623m, around 0.92% of the total high needs block funding. 81 of 150 LAs received floor protection and our allocation, expressed as a percentage of overall funding, is the 8th lowest (previously 15th lowest of 78.)

In the national formula the DfE have introduced an import/export adjustment. Apart from the basic entitlement factor (which reflects the number of children in special school places situated within a local authority, regardless of where the child lives), the high needs funding formula is designed to fund local authorities to meet the needs of children and young people who live in their area (regardless of where they are educated).

Local authorities, however, face higher costs if they attract more pupils and students with high needs who live outside the local authority area into the school and college places that they fund (i.e. ‘imports’). Conversely, authorities that ‘export’ pupils and students to other local authority places face lower costs.

The import/export adjustment ensures the funding system reflects these differences in costs. The adjustment uses school census and ILR data on pupils and students who attract top-up funding. The DfE’s analysis shows that there are:

* 3,090 Derbyshire resident students that attend non Derbyshire provision; and
* 2,849 students resident in other LAs attending provision in Derbyshire.

Thus Derbyshire is a net “exporter” of 241 students for which an adjustment of £6,000 per student has been applied. This figure represents the cost of the place funding (£10,000), less the basic entitlement in special schools, or the equivalent in mainstream schools and post-16 institutions (£4,000).

The gross loss of budget is £1.446m, and work is underway to measure the net reduction in costs. However, the budget reduction is within the net overall increase of £0.218m and is the main reason why Derbyshire’s year on year increase in HNB funding is low.

**2.3 Local Flexibility**

The second stage of the consultation recognised that a degree of flexibility between the DSG funding blocks would be needed to ensure that local authorities could manage their high needs budget. Local authorities will therefore be able to transfer up to 0.5% of their Schools Block funding into their high needs budget, with the agreement of their Schools Forum.

**2.4 Closing remarks**

This report represents a first look at the national announcements and more time is needed to understand the full impact of the settlement and the implications locally for 2018-19. This work will be undertaken over the coming weeks and further reports on the High Needs Block will be brought to the Schools Forum during the remainder of this term and in the early part of 2018.

**3. Other Considerations**

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, human resources, legal & human rights, environmental, financial, health, property and transport considerations.

**4. Strategic Director’s Recommendations**

The Schools Forum is asked to:

1. Note the report;
2. Offer its views on the new national high needs formula; and
3. Agree to receive further reports on this issue later in the year.

**JANE PARFREMENT**

**Strategic Director for Children’s Services**

**Summary of Derbyshire’s NFF High Needs Block allocation** **Appendix 1**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator** | **Original Multiplier (£)** |  | **Revised Multiplier (£)** | **Count** | **Allocation (£m)** |
|  |  |  |  |  |  |
| Population aged 2-18 | 110.21 |  | 116.91 | 145,476 | 17.007 |
| Health & Disability – No. children with bad health | 2,860.00 |  | 3,033.68 | 670 | 2.033 |
| Health & Disability – No. children claiming DLA | 519.67 |  | 530.41 | 5,020 | 2.663 |
| Deprivation – Free school meals (current) | 214.93 |  | 236.94 | 13,533 | 3.206 |
| Deprivation – IDACI Band F | 32.33 |  | 33.79 | 15,368 | 0.519 |
| Deprivation – IDACI Band E | 42.14 |  | 44.04 | 7,654 | 0.337 |
| Deprivation – IDACI Band D | 59.14 |  | 60.13 | 8,815 | 0.530 |
| Deprivation – IDACI Band C | 57.95 |  | 64.28 | 8,208 | 0.528 |
| Deprivation – IDACI Band B | 67.72 |  | 70.46 | 8,138 | 0.573 |
| Deprivation – IDACI Band A | 96.04 |  | 95.82 | 758 | 0.073 |
| Low Attainment @ KS2 | 1,306.40 |  | 1,589.16 | 1,478 | 2.349 |
| Low Attainment @ KS4 | 1,345.68 |  | 1,317.14 | 2,2124 | 2.798 |
| Historic spend | - |  |  | - | 33.025 |
| Funding floor | - |  |  | - | 0.628 |
| Hospital Education | - |  |  | - | 0.050 |
| Basic entitlement – no. pupils in spec. schools/post 16 | 4,000.00 |  | 4,000.00 | 925 | 3.700 |
| **Sub total before import/export adjustment** |  |  |  |  | **70.019** |
| Import/export adjustment |  |  | 6,000.00 | -241 | -1.446 |
| **Total High Needs Block** |  |  |  |  | **68.573** |
| **Adjusted 2017-18 baseline) see below** |  |  |  |  | **68.355** |
| **Change (£m)** |  |  |  |  | **+0.218** |
| **Change (%)** |  |  |  |  | **+0.32%** |

Memo item: Calculation of Derbyshire’s 2017-18 adjusted baseline:

|  |  |
| --- | --- |
|  | £m |
| Original 2017-18 baseline | 69.402 |
| Less trf to Schools Block for ERS places | (1.047) |
| **2017-18 adjusted baseline** | **68.355** |