

SCHOOLS FORUM

Meeting date: 20 October 2021

**From: Daniel Barton
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SPECIAL SCHOOL FUNDING FORMULA REVIEW

EXECUTIVE SUMMARY

- 1.1 *This paper informs the Schools Forum of the progress made on the special school funding formula review following input from the SEN and Budget working groups, Special School Heads and Senior Manager Inclusion.*
- 1.2 *It also sets out the illustrative financial impact of the modelled banding levels as requested by the Special School Heads which is estimated to cost an additional £5.2m pa. The Schools Forum members are asked to consider the modelling, the impact that this will have on the High Needs Block deficit and the proposed approach to identifying mitigations or revisions to the banding levels in order for the new model to be affordable.*

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 2.1 *Ensuring that Cumbrian schools are funded appropriately is supportive of the Council Plan outcome that ‘People in Cumbria are healthy and safe’.*

3.0 RECOMMENDATION

- 3.1 *The Schools Forum is asked to:*
 - *note the contents of this paper and provide feedback on the modelling presented;*
 - *agree a way forward and make a recommendation on the proposed approach to dealing with the financial impact on the High Needs Block ahead of taking the proposal to Cabinet.*

4.0 **BACKGROUND**

- 4.1 A paper was presented at the Schools Forum meeting held on 9 June 2021 informing the forum members that there would be a full review of the Special Schools funding formula in collaboration with Headteachers, the Senior SEN Inclusion Manager and the Schools Forum SEN working group with a planned implementation date of 1 April 2022.
- 4.2 The purpose of the review is to ensure that the formula more closely aligns with actual pupil needs and costs of providing for those needs within a special school environment whilst bearing in mind the limitations of the funding available and the impact on the overall High Needs Block budget. Work to identify other mitigations against increased costs to the High Needs block will need to be undertaken as part of the review. Due to the impact on the High Needs block a report will go to Cabinet for their consideration.

5.0 **REVIEW BY SEN AND BUDGET WORKING GROUPS**

- 5.1 As agreed by Schools Forum a paper was presented to SEN and Budget Working groups outlining the proposed approach to the review. A copy of this paper is attached at Appendix 1 for reference.
- 5.2 The proposed approach included a review of each of the three main elements within the existing funding formula. To summarise the options put forward for each element were:

- Fixed School-Led Factors these currently comprise of a lump sum factor which is the same for all special schools and a buildings/equipment factor which is variable dependant on whether the school has a hydro-therapy pool or a split site. Options included whether to continue having a fixed element or not, whether to introduce a fixed factor for therapies, and/or outreach services and if the fixed amount should be the same for each school or a combination of fixed and variable elements dependent on number of places/pupils
- Variable Pupil-Led Factors currently comprise of social deprivation, EYFS, KS3 to KS5 and former teacher pay and pension factors. Options included absorbing these into the top-up bandings so that they are more closely linked to individual pupil needs or keep them but review the per pupil levels or weightings.
- Bandings currently comprise of three top-up levels to make specific provision for an individual child or young person. The current banding levels are:

SS1 Top-up	£4,500
SS2 Top-up	£7,503
SS3 Top-up	£12,685

Options here included:

- re-looking at work previously done in 2019 looking at increasing the range of top-up bandings with a view to reducing the demand for

exceptional funding requests including drawing comparisons with other local authorities' bandings;

- aligning the bandings more closely to the costs of provision through gathering evidential data taking into consideration average class sizes and average levels of teaching and teaching assistants per class based on each level of need and/or primary need.
- exploring potential of creating primary need special ranges for example ASD, SEMH and SLD.

5.3 The options in the paper were considered by the joint SEN and Budget working groups and it was agreed by the group that a further meeting should be held to give the Special School heads opportunity to feedback on the proposed approach and options to be modelled.

5.4 A further meeting was held on 28 September where there was consensus among the Special School Heads that the current fixed school-led and variable pupil-led elements within the formula should continue in their current form but consideration given to reviewing the buildings/equipment factor and the potential to include a factor for outreach services such as the Early Intervention Programme (EIP) at Sandgate. The roll out of the EIP across the county is currently being considered by LA officers and modelling of this will be undertaken separately as part of the suite of Invest to Save Initiatives to manage down the High Needs deficit.

5.5 However, the main focus of the meeting and the strongest steer from the group was the review of the current top-up bandings. The Special School Heads were keen to re-visit previous work done to increase the number of banding levels and have proposed a new set of banding descriptors. These descriptors are available at Appendix 2 to this paper. They did not support the evidence-based approach which proposed aligning the bandings more closely to the costs of provision through analysing the average class sizes and average levels of teaching and teaching assistants as described above.

5.6 To this end, the Special Schools Heads have aligned their current pupils to their proposed new banding level descriptors. Due to the tight timescales for producing this data the Heads have indicated that the alignment exercise broadly reflects the needs of their current pupils and therefore represents an outline indication of their pupils positioning on the proposed banding levels. It should be noted here that the proposed descriptors are currently going through a review process by the LA professional assessors and an independent assessment of the bandings that pupils have been allocated to by the Special Schools Heads will need to be carried out by the EHCP assessors once the banding levels and descriptors are finalised.

6.0 FINANCIAL MODELLING

6.1 The pupil data and monetary values assigned to each band used in the modelling have been provided by the Special School Heads. The banding levels, which are not linked to average class sizes and staffing levels, are those which were previously worked on in 2019 and have been updated to

reflect the inflationary increases that have been applied to banding levels 1 to 3 since that date as follows:

SS1 Top-up	£4,500
SS2 Top-up	£7,503
SS3 Top-up	£12,685
SS4 Top-up	£15,729
SS5 Top-up	£37,458

6.2 There is a significant jump between levels 4 and 5 however, based on the proposed descriptors (which are still subject to review by the LA professional assessors) it is expected that only pupils with the most severe and very complex needs would attract this level of funding. However, some of the Heads have categorised a small number of their pupils as above level 5 where very specific and bespoke packages are either already in place or are proposed. For the purposes of modelling the costings for the pupils identified with needs above level 5 have been based on the average of each special school's current pupils on exceptional funding. It should be noted here that the average cost per pupil of current exceptional funding packages is £24,730 which is lower than the proposed monetary value for level 5.

6.3 In totality, after taking into account the place funding, fixed elements and the variable pupil-led factors within the funding formula the amount of funding per pupil is estimated to be:

Place Funding	Average Fixed Lump sum and variable per pupil element	Banding Top-up	Total
£10,000	£3,600	£4,500	£18,100
£10,000	£3,600	£7,503	£21,103
£10,000	£3,600	£12,685	£26,285
£10,000	£3,600	£15,729	£29,329
£10,000	£3,600	£37,458	£51,058

6.4 The indicative assessment of the likely cost of the increase in bandings is £5.2m as shown in the table below:

Special School	Number of Pupils	Current Full Year Cost	Proposed Full Year Cost using new banding levels	Increase	% Increase	Average cost per pupil - proposed new bandings	Average increase per pupil
Mayfield	193	£1,925,489	£3,612,836	£1,687,347	88%	18,719	8,743
George Hastwell	80	£688,240	£1,067,318	£379,078	55%	13,341	4,738
Sandside Lodge	80	£724,003	£1,233,444	£509,441	70%	15,418	6,368
James Rennie	156	£1,656,132	£3,601,432	£1,945,300	117%	23,086	12,470
Sandgate	117	£984,150	£1,502,570	£518,420	53%	12,842	4,431
CAA	54	£746,596	£907,105	£160,509	21%	16,798	2,972
Total	680	£6,724,610	£11,924,705	£5,200,095	77%	16,701	6,620

6.5 A more detailed breakdown is available at Appendix 3, which shows a breakdown of each school's number of pupils within the current bandings and the new bandings. The indicative cost shows the impact of the increasing needs of pupils with a significant shift of pupils moving up the banding scales. For some time now the Special School Heads, PHA and CASH have raised concerns about the current special school banding system which has not been reviewed for many years and does not reflect the increasing complexity of need. This has put a strain on the special schools' budgets and it is making it increasingly difficult to place children with special schools who are approaching a point now where they are at risk of not being able to meet pupil needs safely without a significant amount of additional support, resulting in a large number of cases being presented at panel for exceptional funding. Although the financial modelling is only indicative at this stage and is very much a worse-case scenario, clearly a cost increase of £5.2m is not sustainable so mitigations need to be identified before going to Cabinet.

6.6 A number of potential options are available for consideration by Schools Forum:

Option 1

Make no changes to the current funding formula for special schools. The impact however would be that special schools become increasingly unsafe, it will become increasingly difficult to place children in special schools resulting in more pupils being placed in more expensive Independent and Non-Maintained Special Schools.

Option 2

Apply the modelled bandings in part by adjusting down the financial values used in the modelling.

Benchmarking with other local authorities in the North West shows that bandings range from between £1,000 up to £40,000 dependent on primary need with the average top-up ranging between £9,000 and £13,000. It is difficult to make direct comparisons with other LAs due to how they apply their funding formula at a local level, however, if for example the level 5 banding was reduced from £37,458 to £24,730 in line with the current average cost of an exceptional package, the average top-up for Cumbria would be £11,696. This coupled with the fixed school-led and variable pupil-led elements in our local funding formula which is estimated at an average of £3,600 per pupil per para 6.3, the total average top-up per pupil for Cumbria would be £16,629.

Also, a more detailed assessment of pupils needs against the proposed new bandings and input from the LA professional assessors may result in a further cost reduction. However additional mitigations would need to be explored before being presented to Cabinet.

Option 3

Present the modelled bandings (subject to further review by the LA professional assessors), illustrating a worst case scenario of £5.2m pa additional in-year pressure against the High Needs Block from 2022/23 to Cabinet for consideration. The mitigation would be to submit a request to the Secretary of State (SoS) to transfer more than 0.5% of Schools Block (equating to approximately £1.5m) up to a maximum of £5.2m (equating to approximately 1.67%). There are no guarantees that the SoS would approve such a request, however, Schools Forum can seek views from schools and academies on the appetite for doing this by including an additional question in the schools funding formula consultation. At this stage the modelled impact on individual school budgets is not available and there are limitations within the NFF which will restrict the level of funding available that could be transferred above the allowable threshold of 0.5%, such as the requirement to set the MFG at between +0.5% and +2%, however local authorities still have flexibility to cap schools that make gains under the NFF.

7.0 OPTIONS

7.1 The Schools Forum is asked to:

- feedback on the modelled bandings and agree the principles that have been applied;
- consider whether to proceed with Option 1, 2 or 3 above and;
 - If option 2 – consider what further mitigations could be applied to offset the increased cost.
 - If option 3 – consider, as part of the school funding formula paper options, consulting schools and academies on transferring more than 0.5% from the Schools Block up to a maximum of £5.2m.

8.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

8.1 Resource and value for money implications are considered throughout this report.

8.2 The special schools are funded from the High Needs Block which is under significant financial pressure with a cumulative deficit of £14.550m as at 31 March 2021 which is forecast to increase to £19.816m as at Q1. The financial modelling of the proposed bandings indicates an additional pressure of £5.2m. The mitigation at Option 1 to transfer up to £5.2m from the Schools Block which has not yet been modelled, will have a negative impact on individual mainstream schools and academies budgets and would be subject to approval of the Secretary of State.

9.0 CONCLUSION

- 9.1 This paper presents the progress made against the special schools funding formula review and outcome of the financial modelling. The Schools Forum are asked to provide a steer for the next steps ahead of the proposed changes to the funding formula being presented to Cabinet.

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15 October 2021

Appendices:

- 1. SF Working Groups - Special Schools Funding Formula Review Paper 20 Sep 21*
- 2. Model Special School Banding Descriptors*
- 3. Illustrative Impact of Special School Banding Review*

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