

ISSUES RAISED BY SPECIAL SCHOOLS ON FUNDING MATTERS

1. INTRODUCTION

1.1 Special schools have raised three issues on: –

- The funding levels for the sector generally.
- The operation of WCC of transitional arrangements to support schools via the statutory Minimum Funding Guarantee (MFG) and local capping.
- The continuing suitability of the existing banding system.

2. FUNDING LEVELS FOR THE SECTOR

2.1 GENERAL

WCC recognises the cost pressures in all schools and for specialist providers but is constrained by the funding available. Special schools having a greater proportion of non-teaching staff, the impact of pay awards and pensions increases have been challenging but WCC has not received any additional DSG to cover these cost pressures.

The DfE have not increased the national place funding rate of £10,000 per pupil since 2014 and the DSG allocated to WCC does not therefore provide for an overall increase. There is no national top up system for the allocation from the Higher Needs Funding Block within the DSG for pupils with SEN/higher needs, so Local Authorities must compile their framework for allocating additional funds for eligible pupils. The HNB funding available is significantly constrained in WCC by the funding level received and the DSG formula. For example Birmingham City Council's top up levels for its pupils placed in Worcestershire schools will reflect Birmingham City Council's level of DSG HNB funding allocated to it.

2.2 HIGH NEEDS FUNDING CURRENT POSITION

The DfE allocate the DSG to LAs based upon their National Funding Formula and WCC's share for Higher Needs funding is lower than the national average. This can only be corrected by the provision of more Higher Needs Block funding within the DSG from the DfE and not by reallocating funds from other DSG funding blocks – there are DfE constraints and limitations of what may be transferred from other funding blocks in any event. Funding matters for the DSG are discussed with the Worcestershire Schools Forum (WSF). The representative of the forum is shown in the table below.

Membership of Worcestershire Schools Forum

Nursey / First / Primary	Middle	Secondary / High	Special	Pupil Referral Units	Union	Diocesan	PVI	16-19	Total
7	2	6	3	2	1	2	2	1	26

WCC's position in respect of HNB funding is in keeping with the majority of other LAs and continues to remain under extreme pressure. Data from the County Council Network (CCN) shows WCC experienced a 47% increase in EHCPs between 2015 and 2019. See graphic on page 5 and 6 on CCN analysis).

As well as the increase in demand for EHCPs other factors have impacted on costs. These include the growth in the complexity of needs of C&YP, the requirement for extension of provision from 0-19 to 0-25, and in-house provision being maximised requiring more expensive out county placements.

None of these additional cost pressures have been adequately funded within the DSG allocated to WCC by the DfE and until 2018 the DSG HNB allocation was mainly historically driven, which confirmed WCC's low funded position.

WCC HN Budget position: -

- 2016-17 – balanced.
- 2017-18 – overspend £3.4m funded by accumulated DSG Reserves.
- 2018-19 – overspend £7.7 million funded by DfE additional one-off grant and the drawdown of the remaining DSG reserves (insufficient leaving DSG in **£0.6m deficit**).
- 2019-20 – carried forward £0.6m plus in-year deficit due to the demand pressures is **£8.72m** for 2019-20.

2.3 HIGH NEEDS FUNDING FUTURE POSITION

In 2020-21 WCCs gross HNB DSG increased by £8.7m over 2019-20 to reflect WCC's share of an additional £780m allocated nationally for HN as part of the first-year grant increases announced in October 2019 by central government. This is designed to address pressures being experienced in all LAs. However, it does not cover the existing deficit and is therefore not available, as requested, to allocate to specialist providers in the way of increased top up funding.

WCC continues to lobby for additional funding through the f40 Group (The group is made up of 42 local authorities who are among the lowest funded for education in England) and the County Council Network (CCN).

It is imperative, in supporting the High Needs recovery and increasing demand that both years 2 and 3 of the funding announced in October 2019, that more is allocated to the HNB DSG for LAs to stand any chance of managing the issue. If WCC were allocated the additional funding in the sums provided in 2020-21 in both 2021-22 and 2022-23, then it would significantly support WCC's ability to manage HN demands in the medium to long term and support cost pressures in special schools.

2.4 DSG CONSULTATION ON DEFICITS

In October 2019, the DfE launched a consultation clarifying the specific grant and ring-fenced status of the DSG. The consultation indicated that the Government intended to preclude councils from supporting the DSG with local taxpayers' funds without specific government approval. This has now been confirmed and WCC will not be required or able, without the express permission of the government, to underpin the overspend on the DSG.

3. WCC ARRANGEMENTS FOR SPECIAL SCHOOLS

In the Autumn Term 2013 a SEND Working Group, chaired by the then SEND Group Manager, with school representation developed a new HN Funding model to meet the new national DfE requirements. This was consulted upon with all schools early in the Spring Term 2014.

Following this, the full consultation outcomes were reported to and considered by the WCC Cabinet on 6th March 2014. This authorised the Director of Children's Services to implement the changes for the new banding system, allocation rates and any transitional protection arrangements, in consultation with the then CMR for Children and Families.

3.1 TRANSITIONAL ARRANGEMENTS IMPLEMENTED

This provided for the DfE's statutory Minimum Funding Guarantee (MFG) to support those special schools adversely affected by the change to the new banding system, together with the capping of gaining schools to contribute in the funding of any MFG requirement. The DfE confirmed that LAs have the flexibility over top up rates and so can set a cap, which is effectively a lower top up rate.

The MFG is set by the DfE and was at that time -1.5% as in the mainstream schools' formula. For 2014-15, it was decided as part of the CMR decision to set the capping rate at +1.5% to 'mirror' the MFG.

At that time, it was envisaged that protection will initially be for one year only as the new system was introduced with a view that the new banding system operating fully from 2015-16. However, given the impact of the changes in 2014-15 for some schools, to not allocate significant MFG meant their position would have become unsustainable financially. So, it was clear that the transitional arrangements would need to continue and, on this basis, with the above authorisation in place it has continued at the above rates until 2019-20.

3.2 CHANGES TO THE CAP 2019-20

The original idea of the cap was to mitigate the costs of the MFG for those schools adversely affected by the change to the new banding system in 2014-15. Due to a low funding level DSG, any MFG protection had to be funded from the overall DSG resource and as in the mainstream formula a source of this funding was the cap.

In the early years of not much change in pupil numbers this was reasonable, but now with significant increased demand, this is proving a barrier to admissions and a frustration to special schools.

To recognise the above issues WCC, through the Director of Children's Services' delegated powers, introduced a change to the cap in 2019-20. This is still applied at +1.5% but on an individual school place calculation, allowing further place funding to flow. Additional commissioned places continue, as in previous years, to be automatically excluded from the cap to allocate the full £10,000 place funding.

3.3 CHANGES FOR THE CAP 2020-21

The MFG has been increased by the DfE to 0% and this will be implemented by WCC. The school's initial allocations for 2020-21 provide for the cap to remain at +1.5%. However, WCC will

change this to mirror the mainstream schools NFF where now no cap applies. This will result in at least a further £0.2m pressure on the HN DSG in 2020-21 plus the effect of pupil changes in-year.

3.4 MEETING WITH SPECIAL SCHOOLS AND LOCAL MP

Following a meeting on 7 April 2020 with colleagues from Fort Royal and Regency Special Schools and Robin Walker MP, we discussed proposed changes to help special schools funding and a review of suitability of the current banding system where we have proposed a detailed review. One request at the meeting was for WCC to backdate the removal of the cap for the previous two financial year 2018/19 and 2019/20.

The cost of this request would have to be applied to all special schools and would be at a cost to the HNB of £750k (£340k 2018/19 and £411k in 2019/20).

4. CONTINUING SUITABILITY OF THE EXISTING BANDING SYSTEM

WCC recognises this is an area for detailed review. This is a substantial piece of development work and will be led by the SEND Service supported by other LA officers and involving schools, particularly special schools.

It would need to include developing the band descriptors in detail for the various facets of SEND, review the processes for allocating pupils to bands and changes, data return and collection requirements from schools and moderation as well as whether the current number and range of bands need to change. This will be a major task, starting if possible, in September 2020, and given the development required and the statutory consultation and approval requirements the earliest any changes could feasibly be introduced is April 2021 although April 2022 is more likely.

It has been agreed that we co-produce the new banding system with all our Special Schools to ensure a banding system if transparent and fit for purpose to meet the demands and pressures in our Special Schools in a challenging financial environment.

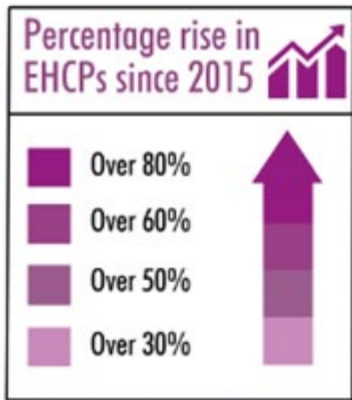
CCN Analysis

SPECIAL EDUCATIONAL NEEDS

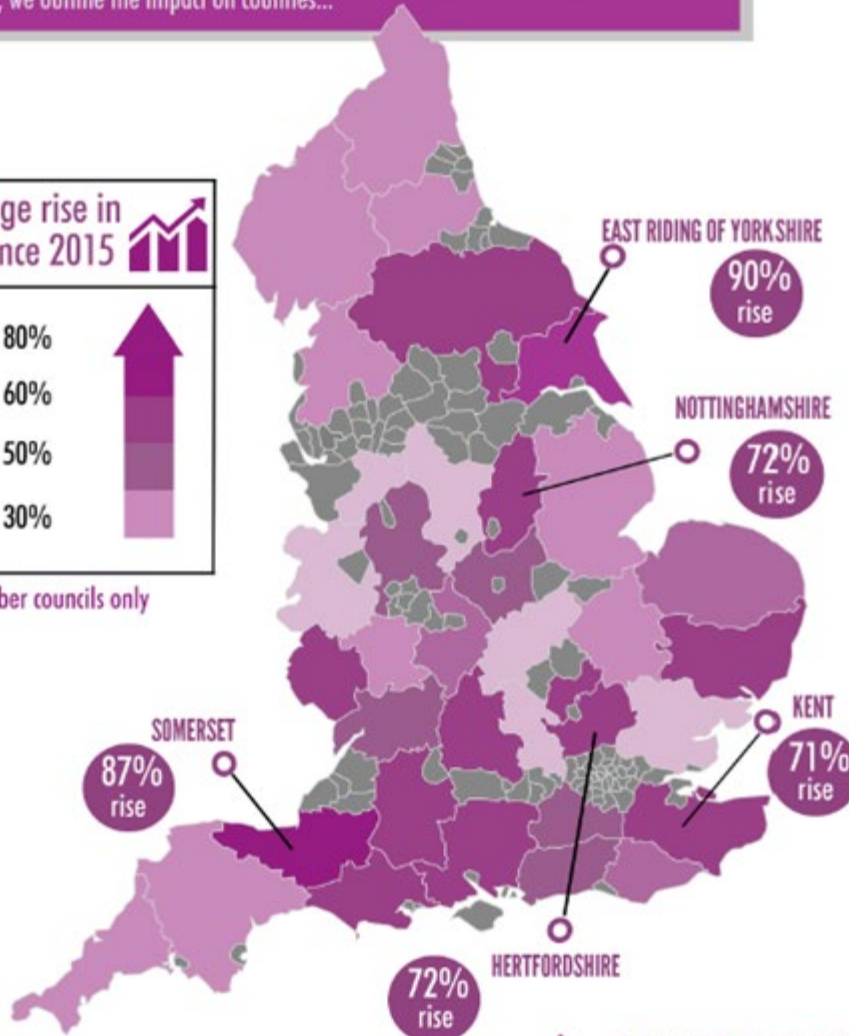
Exploring funding pressures in county areas



In 2014 the government raised the age limit of Education, Health, and Care Plans from the age limit from 19 to 25. This extended the statutory duty for councils to provide support for young people with special educational needs - but without any extra funding to account for the rise. Below, we outline the impact on counties...



*36 CCN member councils only



CCN Analysis

DATA ANALYSIS: High Needs Block Overspends

In order to continue to meet their statutory duties to children with SEND, councils are having to offset the increased costs elsewhere – such as from the mainstream schools block of the Direct Schools Grant (DSG). This has now reached a crisis point with recent data collated by the Society of County Treasurers (SCT) indicating the vast majority of CCN members having overspent the High Needs Block (HNB) of their DSG during the last year with most expecting to overspend during the coming year.

From CCN's 36 county authority members responding to a survey by SCT:

- 27 out of 31 authorities providing end of year figures confirmed they had overspent on the HNB during 2018/9.
- The total overspend across these 31 authorities amounted on balance to a £115m deficit.
- Together the 27 authorities reporting a deficit had a total shortfall of £123m.
- 28 of 33 authorities responding said they expected their HNB to be in deficit next year.

