

High needs national funding formula – draft response

1. In designing our national funding formula, we have taken careful steps to balance the principles of fairness and stability. Do you think we have struck the right balance?

1.1 Pressures on high needs budgets are amongst the most acute of any local government service area in the capital. London Councils is disappointed that the scale and urgency of this financial challenge has not been recognised in the second round consultation.

1.2 Boroughs are already spending significantly more than the allocations provided by central government through the high needs block, which has failed to keep pace with rapid and unpredictable demand pressures in recent years. Reserves and general council funds are not a sustainable funding stream for high needs at a time of unprecedented funding cuts for local government, with core funding from central government to councils falling 63 per cent in real terms over the decade by 2019/20.

1.3 Although the effective resources available for high needs have been substantially reduced, the government has not provided evidence to show that the required savings are deliverable without harming standards. London Councils is concerned that insufficient funding from central government is now a serious risk to the welfare and educational outcomes of high needs pupils in the capital and elsewhere.

1.3 Whilst we agree with the principle of reforming high needs funding, it will be impossible to achieve fairness through the redistribution of an insufficient funding pot. The acute pressure on high needs budget will only intensify and efficiencies alone will not meet the growing funding gap. We believe that an injection of additional funding into the high needs block is required urgently to keep pace with the triple pressure of rapidly rising demand, rising prevalence rates and changing types of need.

2. We are proposing a formula comprising a number of formula factors with different values and weightings. Do you agree with the following proposals?

- **Historic spend factor – to allocate to each local authority a sum equal to 50% of its planned spending baseline**
- **Basic entitlement – to allocate to each local authority £4,000 per pupil**

2.1 Yes, we support the inclusion of a historic spend factor and basic entitlement factor.

3. We propose to use the following weightings for each of the formula factors listed below, adding up to 100%. Do you agree? • Population – 50% • Free school meals eligibility – 10% • IDACI – 10% • Key stage 2 low attainment – 7.5% • Key stage 4 low attainment – 7.5% • Children in bad health – 7.5% • Disability living allowance – 7.5%

3.1 The weightings appear to be reasonable, but it is difficult to comment further without a stronger evidence base on high needs cost drivers. We therefore welcome the department's commitment to commission further research into high needs outcomes and costs.

4. Do you agree with the principle of protecting local authorities from reductions in funding as a result of this formula? This is referred to as a funding floor in this document.

4.1 Yes. The impact of the high needs funding reform is likely to be particularly volatile, so a strong protection mechanism is essential.

5. Do you support our proposal to set the funding floor such that no local authority will see a reduction in funding, compared to their spending baseline?

5.1 Given the acute demand pressures on high needs budgets and the lack of evidence that cash savings are deliverable without affecting outcomes, a redistributive model would not have been appropriate for high needs. We believe that the same argument applies to the schools national funding formula.

5.2 The spend baselines are not a true reflection of actual spend and therefore do not provide true protection. Overspends on high needs are widespread in London as a result of a sustained period of the high needs block failing to keep pace with intense demand pressures, but protection is only applied against planned levels of spend. We believe that protection should be applied against actual level of spend.

6. Do you agree with our proposals to allow limited flexibility between schools and high needs budgets in 2018-19?

6.1 We would support maximum flexibility between blocks in order to manage high needs pressure and reinforce incentives for the entire education system to improve high needs outcomes.

6.2 We do not agree with proposals to restrict the transfer of funding between blocks. It is not clear why Schools Forum approval would not be sufficient to approve the transfer of funding between blocks. This is an established and proven mechanism for making decisions in the interests of the entire local education community, so we do not agree that the approval of a majority of schools by phase should also be necessary.

7. Do you have any suggestions about the level of flexibility we should allow between schools and high needs budgets in 2019-20 and beyond?

7.1 The optimal level of flexibility in the long-term will be dependent on the extent to which high needs allocations keep up with actual costs. Given the acute pressure on high need budgets, we would support maximum flexibility between DSG blocks.

7.2 A flexible relationship between the schools and high needs block also reinforces incentives to control high needs spend and improve high needs outcomes across the entire local education system. For example, schools that put forward pupils for EHC plans or permanent exclusions do so with the knowledge that funding may be redirected away from the schools block if the high needs block overspends. Mainstream schools currently benefit when high needs spend is spent efficiently and this financial incentive would be weakened under a system of standalone blocks.

7.3 Beyond 2019-20, Schools Forum approval should be an appropriate and sufficient mechanism for the transfer of funding between blocks.

8. Are there further considerations we should be taking into account about the proposed high needs national funding formula?

8.1 There is a clear link between cost pressures on the revenue side and the sufficient provision of new high needs places. Special schools and units are facing particularly severe pressure as part of London's broader school place challenge, with the number of pupils educated in dedicated SEND places in the capital increasing 23 per cent between 2011 and 2016. The type of need is changing rapidly, which compounds the difficulty of providing sufficient places. For example, whilst the number of special school pupils with a physical disability fell 36 per cent over the same period in London, the number of special school pupils with autism spectrum disorder increased by over 50 per cent.

8.2 The introduction of a dedicated £200 million SEN capital pot is welcome and we believe that this pot should increase to meet the full costs of providing sufficient SEN places. Short-term investment in providing new special school places is likely to be offset by reduced spend on more costly placements in the independent sector in the long-term.