

Schools Forum 11th March 2021 - Appendix 1

DfE HNB Formula CONSULTATION BRIEFING & Draft Local Authority Response

The DfE have launched a consultation around proposed changes to the HNB funding formula.

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

There are 5 proposals

1.	The current formula has 50% lump sum comprising LA planned spend in 17/18. The first proposal is to use actual 17/18 expenditure opposed to 17/18 budget as a baseline to allocate the historical element. Proposed 22/23 onwards.
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LA Name	Current 2017-18 baseline used for historic spend fac	2017-18 actual expenditure amount we propose to use in futu	Original funding through the historic spend fac	Proposed level of funding through the historic spend fac	Actual % increase in high needs allocations between 20-21 and 21-22	Theoretical % increase in high needs funding allocations between 20-21 and 21-22 (using the proposed historic spend fac)	Losses	Percentage of 17/18 current baseline
Wiltshire	£47,147,500	£44,709,479	£21,322,449	£20,105,850	9.40%	8.00%	£1,216,599	-3%

What would this mean for Wiltshire?

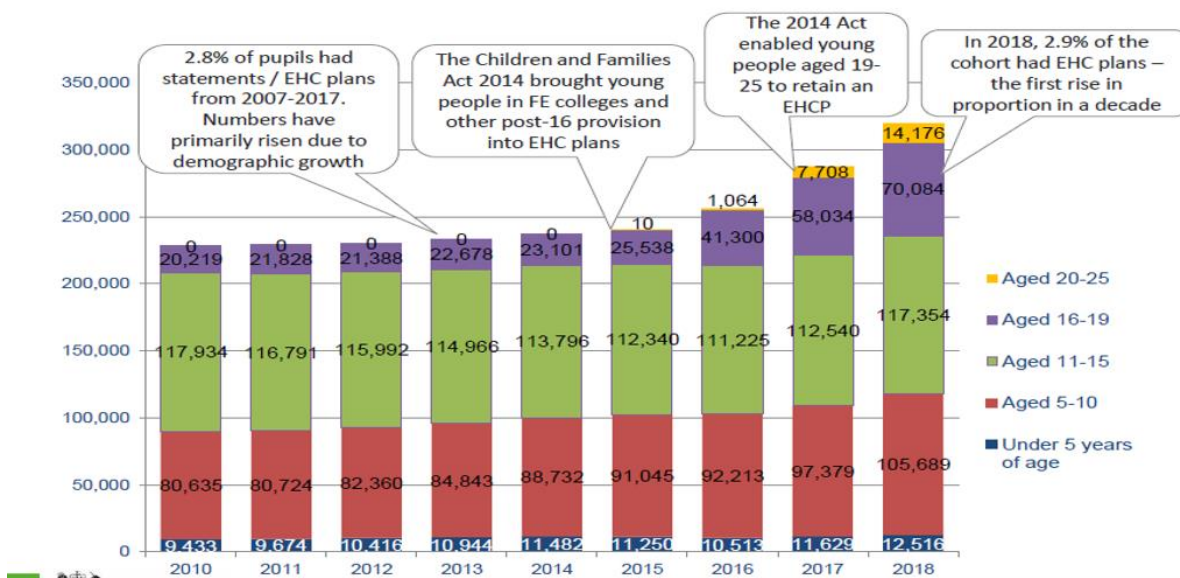
Stepping back into the historical formula for one year does not provide stability for local authorities. There are 95 local authorities that gain under this proposal and 46 who lose so it is possible there will be much support. Proposal 3 suggests the historical formula is NOT fit for purpose and therefore seeks alternative child led demand driver formula.

The DfE are clear that long term, the intend to move away from historical formula. It therefore seems incongruous to increase the proportion back up to 50% (it is currently 36% for Wiltshire.)

Although this proposal is planned for one financial year only, in reality timescales can slide and reliance on poor methodology could continue for longer than this. Therefore, the financial reduction of £1.2M for Wiltshire could continue post 22-23.

Unfortunately, 17/18 was a time when the impact of the 2014 F&C Act and subsequent age increase to 20-25 in 2017 had not fully come to fruition for Wiltshire. Therefore, spend was lower than plan. This was the final year that Wiltshire had an underspend in HNB. Therefore, taking 5-year-old, out of date spend as a baseline is quite inappropriate.

The DfE graph below shows the increase in 16-19 age group and 20-25 age group at national level.



This would mean a DfE estimated **reduction of £1.2M** in HNB historic lump sum funding for Wiltshire.

The statutory responsibilities have not changed for vulnerable learners. We already have a challenging transformation and savings programme which the HNB recovery group are leading on.

The overspend would increase by £1.2M and the DSG deficit which, is cash flowed by the local authority will increase by this value.

The LA level of general reserves is estimated to be £16.856 at the end of the 22/23 financial year. The DSG deficit reserve is estimated to be in excess of £25M in 22-23.

Wiltshire's response

- Stability – increasing the historical proportion and changing to spend not plan for 22-23 only does not create stability for local authorities.
- We agree with the DfE's commentary that the historic funding factors are not the perfect long-term solution. We would go further and say these factors are not now, fit for purpose. If we are all agreed then, why would we increase the proportion of funding flowing through these on a temporary basis? Better surely to continue to dilute and reduce this out of date factor by applying any new monies with pupil led factors as happened in 20-21 and 21-22
- 2017-18 was only 3 years after the F&C act and the additional responsibilities and the year when the act enabled learner to retain an EHCP from 19 to 25 years. Nationally spend increased significantly from 2018-19 onwards as evidenced in the DfE chart above. Services were still maturing and responding to the additional duties in 2017-18. Therefore, spend on whole co-horts of older learners are completely excluded from proposed funding model.
- Increasing the proportion back to the original 50% from the current 36% would exasperate the current funding gap even further for Wiltshire because current spend bears no relation to the children being supported 5 years previously in 2017-18.
- It is unacceptable to reduce funding whilst retaining the same statutory functions and not taking into account the local authority HNB savings plans.
- In reality the overspend will increase and the local authority DSG deficit reserve will increase which is a financial burden to the local authority in excess of £19M which is in excess of the general reserves of the local authority.
- Strong relationships between school leaders and the local authority, have resulted in transfers from schools block agreed to support HNB even when, the schools NFF was not affordable.
- Wiltshire's parent carer council has one of the largest memberships in the country and a solid indicator of the success of the local partnership in understanding and planning for the needs of children and families.

2. Increase the proportion of actual expenditure in 1 above (the historical lump sum) to 60%.

In recognition of the significant shortfall in HNB funding, the DfE increased in both 19-20 and 20-21. These increases have been allocated on pupil led factors. This has diluted the proportion of historical formula from the original 50% to an average of 34%. For Wiltshire this is 36% for 21-22.

What would this mean for Wiltshire?

Increasing the proportion to 60% would exasperate the reduction for Wiltshire.

Local estimate is **£1.5M reduction** in HNB funding.

Wiltshire's response

- Stability – increasing the historical proportion and changing to spend not plan for 22-23 only does not create stability for local authorities.
- If we are all agreed that the historic funding factors are not fit for purpose, why would we increase the proportion from 50% to 60% of funding flowing through these on a temporary basis? Better surely to continue to dilute and reduce this out of date factor by applying any new monies with pupil led factors as happened in 20-21 and 21-22
- 2017-18 was only 3 years after the F&C act and the additional responsibilities and the year when the act enabled learner to retain an EHCP from 19 to 25 years. Nationally spend increased significantly from 2018-19 onwards as evidenced in the DfE chart above. Services were still maturing and responding to the additional duties in 2017-18. Therefore, spend on whole co-horts of older learners are completely excluded from proposed funding model.
- Increasing the proportion to 60% which is 10% larger than the original formula from the current 36% would exasperate the current funding gap even further for Wiltshire because current spend bears no relation to the children being supported 5 years previously in 2017-18.
- It is unacceptable to reduce funding whilst retaining the same statutory functions and not taking into account the local authority HNB savings plans.
- In reality the overspend will increase and the local authority DSG deficit reserve will increase which is a financial burden to the local authority in excess of £19M which is in excess of the general reserves of the local authority.

3. Alternative to the historic spend factor (Proposed 23-24 onwards)

The DfE have confirmed they would prefer to replace the historic spend factor with alternative factor(s) that better reflect local issues and are able to be kept up to date but that avoid perverse incentives such as numbers of EHCPs. The DfE say that the earliest alternative factors can be introduced is 23-24 following the SEN Review.

Drivers influencing costs (*from a national ISOS survey commissioned by the DfE*)

- a) Parental Preference (quality of relationships with parents, providers and the LA)
- b) Capacity and ability of all types of all to work together in common endeavours to improve outcomes for YP with SEND.
- c) Strategic decisions pattern of provision, centrally commissioned support on offer will affect how much money is spent

What would this mean for Wiltshire?

Moving away from an outdated formula and towards a suite of easy to update drivers to reflect the needs of young people and take into account local variables including rurality would be fair, transparent and a positive move for Wiltshire.

Wiltshire's response

- Getting a suite of easy to update drivers to reflect the needs of young people and take into account local variables including rurality would be fair, transparent and a positive move for Wiltshire.
- Key to planning services and provision for vulnerable children is the ability to plan long term with a useful estimate of funding. If LAS are aware of their estimated share of any new funding allocations such as those received in 20-21 and 21-22.
- We agree it would be sensible to change for formula after the SEN review outcomes are known and understood.
- A calculator / tool where LAs can input their planning data into the new formula factors and estimate their allocations. This will be useful to measure the gap in funding and requirement
- The range of drivers needs to encompass some generic and bespoke datasets. Whilst we understand EHCP numbers can reward inappropriately it would be naive to assume that these are awarded liberally by local authorities most of whom would prefer preventative services.

- In addition, EHCPs are the only measure used nationally and are the result of a statutory process as outlined in the Code of Practice. Morally and legally it is a young person's right to be assessed for support to access learning. Meeting the needs in that EHCP are a legal requirement, this makes EHCPs an ideal measurement tool in both funding and spending.
- We therefore do NOT accept that using numbers of EHCPs is inappropriate.
- Unfortunately, the large shortfall in funding means that investment in preventative services has suffered as demand and volumes have increased alongside legislation and funding has not.
- Our rates are not uplifted on the grounds of affordability so schools are coming back and asking for banding reviews in order to fund the required level of service, time would be better spent on annual review support & challenge. This places more and more activity into an already over stretched system and service.

4. Attainment data as a funding driver – views on pandemic impact (Proposed 22-23 & 23-24)

The current HNB formula comprises low attainment data and the end of KS2 & KS4 across the previous 5 years as two in a group of proxy indicators to allocate HNB funding. This is due to strong associations with low attainment and some types of SEND.

For 22-23 there will be no data due to disruption to tests and exams in 2021 and this is likely to be repeated for 2021.

It is therefore proposed that 2016, 2017, 2018, 2019 and 2019 (2019 used twice) is used for both 22-23 and 23-24 years.

What would this mean for Wiltshire?

- We agree that avoiding use of 2021 teacher grades avoids objectivity and consistency issues however, the data fluctuates significantly across year groups for this cohort of young people - even in larger schools and we would want to see evidence of how 2016 - 2019 results varied and compared.
- This is a difficult area; the measure is retrospective / historic measure and particularly challenging to fund secondary on KS2 results.
- Modelling should be carried out across more options as this approach carries a level of risk.

5. Effective proxies for SEND & AP in the formula

Currently taken into account are, local population of C&YP, two health & disability measures (bad health* & DLA) and two deprivation factors (FSM and local area deprivation measure.)

The DfE welcome views on how proxy factors can be improved, confirming, numbers of EHCPs are not a suitable measure.

Wiltshire's response:

- The range of drivers needs to encompass some generic and bespoke datasets. Whilst we understand EHCP numbers can reward inappropriately it would be naive to assume that these are awarded liberally by local authorities most of whom would prefer preventative services.
- In addition, EHCPs are the only measure used nationally and are the result of a statutory process as outlined in the Code of Practice. Morally and legally it is a young person's right to be assessed for support to access learning. Meeting the needs in that EHCP are a legal requirement, this makes EHCPs an ideal measurement tool in both funding and spending.
- We therefore do NOT accept that using numbers of EHCPs is inappropriate.
- Numbers of EHCPs can be used if there is a ceiling of the national increase in EHCP numbers or, average per head of population so that local authorities are not incentivised to increase numbers of EHCPs.

Continues overleaf...

Question 5 continued...

- An alternative measure to EHCPS would be assessments carried out as outlined in the Code of Practice. This is a useful measurement of demand from parents and schools and reflects levels of activity within local authority areas. Not all assessments lead to an EHCP and so no perverse incentive is applicable.
- Other measures we believe should be included are around mental health as the demand for these services is increasing over time. Often these are short term needs, preventing lifelong reliance on mental health services. Referrals to CAMHS, active cases
- Similarly, vulnerable families social care needs have impact on behaviour at school and a measure around this would be useful. Referral figures or active cases CiN, CP
- Wiltshire does not believe LAC numbers should be used as a driver as these pupils are supported through pupil premium.
- Health age appropriate characteristics including health inequalities such as obesity do not have a strong link to SEND although they may to underperformance
- Rural local authorities such as Wiltshire require multiple small, specialist provision so that learners are not travelling huge distances to school. Economies of scale of running larger urban based provision are lost and therefore rural factors need to be taken into account.
- This includes commissioned services such as speech therapy where travelling time and costs need to be built into contracts.
- In addition, parental preference is often for small local school provision so these schools can have a higher proportion of learners with EHCPS. As we know inclusivity is expensive and this places a burden on small schools.
- Using DfE measure of a small school being one with fewer than 150 primary pupils and 600 secondary pupils, Wiltshire is a large, rural authority with 78 small primary schools out of 201 (39% of total primaries) and 4 small secondary schools out of 29 (14% of total secondaries.)
- Wiltshire therefore believes the formula should include a rurality / sparsity measure.
- Unfortunately, the large shortfall in funding means that investment in preventative services has suffered as demand and volumes have increased alongside legislation and funding has not.
- Our rates are not uplifted on the grounds of affordability so schools are coming back and asking for banding reviews in order to fund the required level of service, time would be better spent on annual review support & challenge. This places more and more activity into an already over stretched system and service.