

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Lincolnshire Schools' Forum
DATE OF MEETING:	27 April 2016
SUBJECT:	National Funding Formula for schools
REPORT BY:	Mark Popplewell (Head of Finance – Children's Services)
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IS THE REPORT EXEMPT?	No
IS REPORT CONFIDENTIAL?	No

SUMMARY

The purposes of this report are to:

1. provide a summary of the Schools National Funding Formula consultation,
2. provide a summary of the High Needs Funding Reform consultation, and
3. provide Lincolnshire County Council's response to both consultation.

DISCUSSION

Background

The Government announced on the 7th March 2016 a consultation for a national funding formula for schools. The consultation sets out the Government's intentions to deliver a fair and transparent funding system where the amount of funding children attract for their school is based on needs not a pupils location, therefore providing consistency in funding across the country.

This is the first of two planned consultations on schools funding. At this stage the Government is seeking views on:

- the principles that underpin the formula, and
- the pupil characteristics and school factors we include in the formula.

The closing date of the consultation was the **17th April 2016**. The consultation can be found by accessing the following link:

<https://consult.education.gov.uk/funding-policy-unit/schools-national-funding-formula>

Lincolnshire County Council's response to the consultation is outlined in Appendix 1 (page 4). The response has considered the implications of the changes for all schools in Lincolnshire and the Local Authority. The Local Authority encourages schools to respond to the consultation (via the online portal) considering the implications to the national funding formula from a school level, and the Local Authority are happy for schools to use components of Lincolnshire's response to emphasise particular points, or support Lincolnshire County Council's response.

The key points from the consultation are as follows:

- All schools in the country will have the same formula factors and monetary values for pupil-led factors to create fair funding for all schools irrelevant of their geography.
- To introduce the national funding formula from 2017/18. There will however be a 2 year transition period to phase the national funding formula in i.e. moving from Lincolnshire's local formula to the national formula. Funding will continue to be devolved to Local Authorities in that period and applied through its local formula, but Local Authority funding levels will change to allow transition to the new national funding formula.
- The Minimum Funding Guarantees that provide protection to schools on per pupil funding will operate for 2017/18 and 2018/19, but the rate has not yet been determined.
- The 'hard' national funding formula will take effect from 2019/20, which will mean schools will be funded on the national funding formula.
- School funding is proposing to be allocated through 4 building blocks of:
 - Per pupil costs (i.e. AWPUP);
 - Additional Needs (i.e. Deprivation (FSM ever 6 and actual, and IDACI), low prior attainment and EAL);
 - School Site costs (i.e. lump sum, sparsity, rates, premise);
 - Geographical (i.e. an area cost adjustment).
- There will be a re-distribution of funding across Local Authorities through these changes, therefore it is likely that funding changes will be phased in by using a floors and ceiling approach. To speed up the transition period for those schools that would benefit from the new formula, the Government has announced a £500m investment to facilitate this.

The date of the second part of the consultation has not been announced. It is expected that this will provide the detail behind the national funding formula including the monetary values assigned to the formula factors, and the new formula will be modelled for all schools.

The Government also announced a high needs funding reform consultation on proposals to the way high needs funding is distributed to Local Authorities. This is the first of two planned consultations on high needs funding. The first stage covers high level principles, key proposals and options to improve the way that high needs funding is allocated to local authorities, on the basis of a formula consisting of a number of factors.

The Government asked for views on the following:

- the overall design of the formula;
- whether the formula factors are appropriate;
- how the formula should be phased in, to avoid disrupting the education of children and young people with SEN and disabilities, and
- the ways we intend to help authorities address the cost pressures they face.

The closing date of the consultation was the **17th April 2016**. The consultation can be found by accessing the following link:

Lincolnshire County Council's response to the high needs consultation is outlined in Appendix 2 (page 10).

RECOMMENDATIONS

The Schools Forum is asked to:

- a. Note the content of the report.
- b. Consider responding to the consultation.

BACKGROUND PAPERS

The following reports were relied upon in the writing of this report.

PAPER TYPE	TITLE	DATE	ACCESSIBILITY

APPENDICES

Appendix 1: Lincolnshire County Council's response to the consultation of the national funding formula for schools.

Appendix 2: Lincolnshire County Council's response to the consultation of the high needs funding reforms.

Question 1: Do you agree with our proposed principles for the funding system?

- Agree in principle with the redistribution of funding and the removal of historical funding that has disadvantaged many Local Authority schools for a number of years.
- Fairness in the distribution of funding to all schools is important including ensuring the schools current funding envelope is the right resource to meet the needs of all pupils.
- A 'simple' formula – what scale on the simple spectrum is this? Being too simple will undermine the principle of fairness.
- It is only a 6 weeks consultation as opposed to the typical 12 week consultation.
- The first phase of the consultation outlines the principles and direction of travel, however the questions are too narrowly focused and lack detail, and there could be a real danger that LA answers are misrepresented as a result i.e. do you agree schools should have a lump sum, but what about the size of the lump sum, will it be categorised by sector, size of school etc.
- The EFA think the current arrangements are working well, but they are not, namely lump sum / sparsity, notional SEN etc., and they continue to make corrections on the existing formula, therefore are we confident they will get it right first time.
- The EFA need to have greater links with other Government agenda's.
- Can this really be managed by Whitehall? Academies feel a lack of support from the EFA at present, and often come to the LA for advice, which we provide since it is a Lincolnshire school after all; therefore I do not believe the EFA would have the capacity or knowledge / skills to support all schools.
- What do they mean by 'fair'?
- Although termed the national fair funding formula, it is questionable whether the simplicity of the formula will override fairness and schools receiving the right resources to meet the needs of its pupils.
- A redistribution of funding between LA's will likely take place, but are the Government confident that the overall funding given to schools is at the right level.
- This could lead to the closure of small schools; therefore it will be helpful that the EFA / Ofsted identify what they deem as a minimum NoR for a primary and secondary school that the national funding formula will support.

Question 2: Do you agree with our proposals to move to a school-level national funding formula in 2019/20, removing the requirements for LA's to set a local formula?

- Lincolnshire does not understand the rationale for the soft (2017/18) and hard (2019/20) implementation of the formula. Although the Local Authority has no wish to accelerate the move to a Whitehall run system of school funding implementing only the hard formula would ensure a smooth transition and will be transparent for all schools. There is no benefit to this suggested approach since the minimum funding guarantee will provide protection to schools losing funding.
- Implementing the hard formula only would remove local debates and the blame on Local Authorities for making the changes imposed by central Government. The £500m announced by the Chancellor to speed up the transition period should remove the need for Local Authorities to determine locally a minimum funding guarantee.
- A school-level national formula will remove any form of flexibility to support and meet local needs of rurality, small schools, coastal etc., which is a particular concern to local education.
- There is a drive nationally to have a pupil-led formula; however the EFA need to appreciate the fixed infrastructure costs a school incurs. What Number on Roll is a sustainable school size for a primary and secondary school?
- Removal of flexibility from Local Authorities and Schools Forums to direct funding to meet local needs and its pupils is a concern to the future success of all schools in the area.

- The reason for the differences in funding allocations applied by Local Authorities for its schools is down to each Local Authority being given different levels of funding. Local Authorities can therefore only allocate to schools what they receive from central government.
- Through the removal of the schools block that will be delegated entirely to schools with no Local Authorities intervention, the Local Authority will be unable to respond to pressures in areas such as high needs that have inter-relationships with school practices. The EFA appears not to acknowledge this through the consultation. Where would the Local Authority fund such budget pressures when spend levels exceed the budget allocation?

Question 3: Do you agree that the basic amount of funding for each pupil should be different at primary, key stage 3 and 4?

- Yes, having these categories allows the formula to recognise the differences in costs in different stages in education.

Question 4:

- a. Do you agree that we should include a deprivation factor?
 - Yes. It allows funding to be targeted to pupils in areas of deprivation.
 - The level of funding going through deprivation factors is not detailed, which is very important to understand, and of that sum, the percentage going through the suggested deprivation formula factors.
 - It is not clear why pupil premium is being kept outside of the national funding formula. Two different funding streams that use the same deprivation factor (i.e. FSM over 6), and Ofsted should look at all deprivation funding as opposed to only pupil premium use.
- b. Which measures of deprivation do you support?
 - Pupil and area level deprivation.

Question 5: Do you agree we should include a low prior attainment factor?

- Yes, but prior attainment measures need to be objective rather than the use of professional judgement, since it becomes open to interpretation, which can create unfairness in the application of funding by school.
- The EFA has admitted that the notional SEN application is not fit for purpose and will not be calculating a national notional SEN budget, but working with schools on determining SEN spend. This illustrates the point that parts of the current EFA funding formula are not working.

Question 6:

- a. Do you agree that we should include a factor for English as an additional language?
 - EAL generally distributes low levels of funding compared to other factors and consideration should be made to other school costs that incur similar levels of expenditure for possible inclusion within the formula. If research suggests that it improves outcomes etc. then EAL should be included.
- b. Do you agree that we should use the EAL3 indicator (pupils registered at any point during the previous 3 years as having English as an additional language)?
 - Rather than the most common EAL used, what evidence has the EFA obtained to evidence this as being the most suitable approach, and what is the cost of supporting EAL pupils from this research. Using historical information without any rationale / evidence is not a suitable approach to embed in a national funding formula for schools future funding.

Question 7: Do you agree that we should include a lump sum factor?

- Yes, a lump sum is required to meet a school's fixed infrastructure costs, therefore the lump sum should meet the actual costs for a school of that size typically.

- The question makes no reference to the size of the lump sum (i.e. no clear evidence why a cap was applied of £0.175m in the current funding formula); and whether the value will change based on the size of the school (i.e. a form of banding structure by size of school).
- The lump sum is a critical component in the formula and the EFA needs to get this right, otherwise its risks destabilising a schools' funding, and possible closure of schools due to them not being financially sustainable. It is hoped that the EFA has researched the fixed and semi-variable costs of operating a school.
- The EFA should be required to identify a minimum size school that the lump sum(s) will provide, and understanding the EFA's rationale for this will be important. Each LA's schools has its own unique characteristics (i.e. rural, small, coastal schools etc.), therefore having local flexibility has allowed LA's to support its local schools. The removal of such flexibility and possibly the application of a simple formula risks financially de-stabilising certain schools.

Question 8: Do you agree that we should include a sparsity factor?

- No. The sparsity factor is not fit for purpose. It does not in any way represent the cost of running a school. It appears to be a measure of giving those schools more funding, due to the capping of the lump sum.
- The EFA should establish the right criteria for identifying a suitable lump sum for each school category to represents the costs of running an efficient establishment.
- The tapering approach being suggested again does not represent the true costs incurred by schools that are isolated in area. It suggests the avoidance of cliff-edge, but the minimum funding guarantee only removes the following years sparsity factor value, therefore any loss of sparsity would be built into the guarantee.

Question 9: Do you agree that we should include a business rates factor?

- Yes, to ensure it meets the actual cost incurred by schools for their rates costs irrelevant of their geography.
- The consultation refers to actual costs, therefore an autumn reconciliation would need to be undertaken to reimburse schools with the actual cost paid following its revaluation. This would require addition funding to be devolved by the EFA to Local Authorities / schools.

Question 10: Do you agree that we should include a split sites factor?

- Yes, the inclusion of the split site factor is correct, but split site schools should not operate inefficiently.
- Using historic funding as the basis of funding means it is not truly a national funding formula. It will also be very difficult to develop a formulaic approach for split site funding, however identifying the key cost drivers with financial parameters will be an important steps towards achieving a consistent and fair approach.

Question 11: Do you agree that we should include a private finance initiative factor?

- Yes, schools should not be financially disadvantaged from a comparable non-PFI school due to the contractual arrangements.
- With the complex nature and treatment of PFI schools, the funding needs to be considered on an individual basis as outlined.

Question 12: Do you agree that we should include an exceptional premises circumstances factor?

- Yes, exceptional premise costs should be considered.
- Why is the EFA stipulating that it must be less than 5% of schools for a Local Authority? With the move to a national formula, it appears unfair that schools in some Local Authorities will receive it (i.e. below 5% of schools) and other Local Authorities school would not. Having such a cap undermines one of the key principles of fairness.

- A formulaic approach would not be able to be achieved; therefore local LA input would be required. The Local Authority would also be able to govern this to ensure appropriate charges (i.e. rents) are being charged.
- All Local Authorities should be given the opportunity to review exceptional premise costs of its schools to provide consistency in its application across the country.

Question 13: Do you agree that we should allocate funding to local authorities in 2017-18 and 2018-19 based on historic spend for these factors?

- Business rates
 - Split sites
 - Private finance initiatives
 - Other exceptional circumstances
- No, a historical approach should not be applied. This approach would disadvantage Local Authorities / schools where significant change / growth take place.
 - All schools exceptional factors should be re-evaluated to ensure exceptional factors are considered for all schools fairly, as opposed to differing approaches Local Authorities have applied.
 - If the EFA does not have a satisfactory solution, Local Authorities should continue to operate its current arrangements and be funded accordingly.

Question 14: Do you agree that we should include a growth factor?

- Using historical funding as the purpose of the next two years funding would disadvantage those Local Authorities with significant growth due to demographic changes, which could risk Local Authorities not achieving its statutory duty.
- Lincolnshire has a policy in place that supports schools with fair funding through a reorganisation. There are instances where providing pupil-led funding is insufficient to meet the actual costs, which results in gap monies being provided. Such agreement can often be made for 7 years.
- The approach needs to recognise the different type of reorganisations and size of PAN changes. Using a simpler approach to funding appears sensible, and it would be suitable to have a recognition of size of PAN change when determining whether additional funding is required to meet the true costs above the pupil-led funding e.g. where a new class is required due to a PAN increase of say 5-10 pupils.
- DSG allocations are based on most recent census; however this creates a lag in the funding to Local Authorities where they are experiencing significant pupil growth. A retrospective adjustment appears sensible to recognise this growth.

Question 15: Do you agree that we should allocate funding for growth to local authorities in 2017-18 and 2018-19 based on historic spend?

- It is not ideal, but as an interim basis it could be managed. Local Authorities should continue to operate its current arrangements and be funded accordingly if a suitable long term solution is not found.
- Local Authorities experiencing growth needs consideration, as well as identifying when new schools are required, which would require pre-start up and diseconomies of scale funding.

Question 16:

- a. Do you agree that we should include an area cost adjustment?
- Yes, but the consideration of differing area costs needs to be wider than London areas.
 - Schools in areas that are rural and less popular to live find it very difficult to appoint good teaching staff resulting in schools having to pay higher salaries than normal or having expensive supply staff. This needs to be considered in the area cost analysis to avoid these schools being financially disadvantaged by their location.
- b. Which methodology for the area cost adjustment do you support?

- general labour market methodology
- hybrid methodology
- Using the hybrid model appears a sensible approach along with wider consideration of area costs due to the geographical circumstances.
- Clarity is required on whether all formula factors (other than historical allocations) are used when applying the ACA factor, or the percentage that is typically spent on staffing (i.e. 80%)?

Question 17: Do you agree that we should target support for looked-after children and those who have left care via adoption, special guardianship or a care arrangements order through the pupil premium plus, rather than include a looked-after children factor in the national funding formula?

- A LAC factor should operate for all Local Authorities.
- Has the EFA identified what LAC costs should typically be and what those drivers are? This would ensure that LAC are supported in full to narrow the gap in their achievements.
- A relatively small number of Local Authorities have a LAC factor (89 Local Authorities in 2014/15), therefore by putting this funding in the national pot will dilute the LAC funding received for those pupils in them Local Authorities – a cut in LAC funding is an alarming statement.
- Identifying the right level of funding for a LAC pupil in addition to the pupil-led factors is a more suitable option.
- The virtual head teacher remaining in control of the pupil premium is a sensible way forward.

Question 18: Do you agree that we should not include a factor for mobility?

- There will be a cost to pupil movement, but the criteria that is used currently is not fit for purpose, and needs reviewing.
- The EFA needs to determine whether this a material cost for some schools, hence its inclusion within the formula.
- Does the service premium meet this cost? If not, can the cost be incorporated within the pupil premium service allocation?

Question 19: Do you agree that we should remove the post-16 factor from 2017-18?

- No comment.

Question 20: Do you agree with our proposal to require local authorities to distribute all of their schools block allocation to schools from 2017-18?

- Why is it necessary to apply the soft and hard implementation approach – apply the hard formula, and the minimum funding guarantee / capping can be applied to ensure a schools smooth transition onto the national formula.
- Through the removal of the schools block and the intention to delegate funding entirely to schools with no Local Authority intervention, the Local Authority will be unable to respond to pressures in areas such as high needs where demand is not predictable and inter-relationship with schools practices. Where would the Local Authority fund such budget pressures beyond the high needs allocation? Distribution of the entire schools block to schools presumes that the funding provided via the high needs block will be sufficient to meet need.
- Local Authorities should be given the flexibility to manage funding for the area across all the blocks.
- The timescales for Local Authorities to model up the funding changes and consult with schools will be tight in the summer; therefore having an early release of the phase 2 of the consultation is preferable.

Question 21: Do you believe that it would be helpful for local areas to have flexibility to set a local minimum funding guarantee?

- See response to question 20. A hard formula approach should be adopted, however the EFA must feel confident that all the research and due-diligence undertaken for this formula is fair and underpinned by evidence, otherwise delaying the implementation to 2018/19 may be preferable to avoid destabilising schools funding.

Question 22: Do you agree that we should fund local authorities' ongoing responsibilities as set out in the consultation according to a per-pupil formula?

- Yes, this approach seems sensible.
- Setting the right level of funding per pupil including the central DSG allocations (namely admissions) will be important. Substance behind the amounts determined is important to justify the funding to Local Authorities. Sufficient funding should be provided to allow Local Authorities to fulfil its statutory duties and academies to undertake their responsibilities.

Question 23: Do you agree that we should fund local authorities' ongoing historic commitments based on case-specific information to be collected from local authorities?

- Yes, Local Authorities have contracts / agreements in place that require continuing with. Historic commitments have achieved economies of scale for all schools, which has driven down overall school costs and has not disadvantaged schools by their location e.g. broadband contract.

Question 24: Are there other duties funded from the education services grant that could be removed from the system?

- If the Government intends to fulfil its plan for wholesale academy conversions, it is important that Local Authorities and schools have clarity and sufficient funding to fulfil their statutory duties over the coming years. The £600m reduction in education services grant is a concern for Local Authorities and schools.

Question 25: Do you agree with our proposal to allow local authorities to retain some of their maintained schools' DSG centrally – in agreement with the maintained schools in the schools forum – to fund the duties they carry out for maintained schools?

- Removing the de-delegation option in 2019/20 will remove the insurance policy of safeguarding all maintained schools. Without such a protective measure threatens pushing schools into a financial deficit or under-performance e.g. interim heads supporting schools without a head teacher, intervention fund for rapid school improvement changes where the school has insufficient budget to do so etc. Leaving the choice to individual schools will not protect the best interests of all schools.
- It is important Local Authorities and Schools Forums continue to have local flexibility over the deployment of DSG funding.
- Local Authorities should be fairly funded based on their statutory responsibilities.

Question 1: Do you agree with our proposed principles for the funding system?

- Yes, we agree with the proposed principles of a fairer funding system of distributing high needs funding to Local Authorities that uses objective measures, and would be still mindful of the need to balance simplicity without undermining accuracy.
- Having a system that is too simplistic will undermine the objective of fairness, particularly in an area where funding supports pupils with special educational need and disability, and the wider spectrum of support they require.
- The funding system should aim to deliver reasonably accurate funding allocations to allow Local Authorities to meet the needs of those pupils in an effective delivery model allowing for the different spectrum of SEND pupils.
- A likely redistribution of funding will take place amongst Local Authorities to achieve fairness in funding, however just as important is the Education Funding Agency (EFA) ensuring that the total funding envelope for high needs funding is at a sufficient level to fulfil the needs of pupils with special educational need and disability.

Question 2: Do you agree that the majority of high needs funding should be distributed to local authorities rather than directly to schools and other institutions?

- Yes, the Government should continue to distribute funding to Local Authorities to allow them to fulfil their statutory role in meeting the needs of individuals with special educational need and disability now and in the future, whilst achieving economies and effective use of resources at the same time. The delegation of funding to Local Authorities should also include place funding for all providers – the responsibility of allocating funding should be the responsibility of the Local Authority not the EFA.
- Lincolnshire like other Local Authorities commission services to special schools, special unit provision, independent special schools, non-maintained special schools etc., and through this arrangement the Local Authority supports providers through various mechanics, i.e. the timing of payments to support their cash flow; early communication of pupil placement changes or future provision required etc.
- This supports the EFA's view on creating financial stability for those providers and that successful providers should be able to prosper and grow. However, the place and top up system that the EFA has created undermines financial stability (an underlying principle of the EFA) for the likes of special schools since top up funding is removed when placements are not filled, which in specialist provisions is difficult to respond to and change spend accordingly due to the nature of the provision, and being in a position to take in pupils.
- Place funding is locked into a lagged system, and where place numbers require reducing or ending, it can become locked in where the providers does not agree to it, therefore creating an inefficient use of resource of taxpayers monies (an underlying principle of all Government spend). This also creates a cost pressure within the High Needs block, since budget / spend cannot be released with locked in place numbers that remain unutilised. In addition, pupil data can be a further academic year's delay creating a long lagged time to respond to change in pupil numbers, which again locks funding in needlessly.
- This whole approach of place and top up funding needs to be looked at for all providers including it being allocated out by the EFA. This creates an added complexity to the process; therefore Local Authorities should delegate the full place costs. It is not fit for purpose and causes confusion in schools / providers. It does not provide security of funding suggested, as often it is a small part of an institution's overall funding. Furthermore, the £10,000 is an arbitrary figure.
- A banding framework for provider payments should be considered for greater consistency in fees for pupils based around actual costs. If proposed savings are to be secured as the DSG is reduced in real terms, it is completely unacceptable to issue funding allocations that are not underpinned by detailed costs of providing those services.

Question 3: Do you agree that the high needs formula should be based on proxy measures of need, not the assessed needs of children and young people?

- Yes, agree in principle with the use of proxy indicators to ensure a fairer funding allocation is achieved amongst Local Authorities.
- The challenge will be ensuring that these proxy indicators and monetary amounts assigned to those reasonably allocate funding to meet the needs of those pupils in an effective delivery model allowing for the different spectrum of special educational need and disability pupils.

Question 4: Do you agree with the basic factors proposed for a new high needs formula to distribute funding to local authorities?

- Yes, agree in principle with the basic formulaic factors proposed and the correlations with special educational need and disability pupils; however without detail being provided on the proportion / values of funding going through each factor it is difficult to assess against the underlying principles of the reforms and whether those have been achieved in full, namely fair allocations are made to meet pupils needs.
- All funding should be allocated to Local Authorities and the recoupment of place funding from the EFA should end. The process of allocating funding out to providers for pupil placements should be made by Local Authorities in full.
- The proposals identify the inclusion of a 'substantial' child population factor and that high level special educational need and disability pupils is typically greater than 1% - however with the intention of distributing 'substantial' funding possibly through this factor; the variations in percentage of pupils in each Local Authority area with special educational need and disability and the lack of detail provided on how this will operate in practice, this a significant area of risk that could undermine the whole formula. Further information and evidence needs to be provided on having this as substantial funding distributing factor.
- Pupils with special educational need and disability pupils can have very extreme medical needs due to advances in technology that have or continue to keep them alive, which can be of a great cost to Local Authorities high needs blocks, which is not something the Dedicated Schools Grant (DSG) was intended for when it was created. The high needs block should meet the educational requirements of those pupils, but Local Authority / school costs have extended beyond that to support their health needs whilst in the school environment, namely gastronomy feeding, tracheostomy, administration of medication, suction, oxygen, nebuliser, epilepsy monitoring and treatment, changes of position for health and wellbeing and to reduce pain and discomfort, daily physiotherapy exercise programmes etc. Therefore their needs to be a recognition of these cost when determining the overall funding envelope for high needs funding (movement of monies from health to the high needs budget) or whether health provide this wrap around service for schools.
- A concern relates to the pupil data lag time when identifying pupil's basic entitlement in specialist provisions, therefore the funding not being responsive to meet Local Authority funding requirements. Should a retrospective secondary count be used to adjust funding allocations for the prior year funding to meet Local Authorities financial obligations i.e. similar to the early years funding regime?
- How will pupils with special educational need and disability aged over 18 be incorporated within the proxy indicator?
- A cross-border funding adjustment is welcomed since the current arrangements financially disadvantage those Local Authorities whom are net importers of pupils from other Local Authorities (i.e. the baselines have not been updated from 2012/13 data).
 - a. How will those cross-border pupils be dealt with when they are placed mid-year i.e. pro-rata share of the £6,000 can be recovered from the exporting Local Authority?
 - b. The recovery of top up funding by the schools themselves for other Local Authority pupils is an inefficient and costly approach to schools; therefore Local Authorities should be given back this responsible and financial recognition to undertake this role should be incorporated within the Education Support Grant.
 - c. The removal of £6,000 from other Local Authorities for mainstream cross-border pupils meeting the upper threshold of special educational need and disability (EHCPs) suggests that

this high needs funding is being moved back to the high needs block from the schools block (i.e. removal of notional SEN for high needs pupils), therefore funding the full cost of an EHCP within the high needs block? If this is not correct, more funding appears to be removed than necessary from those Local Authorities.

Question 5: We are not proposing to make any changes to the distribution of funding for hospital education, but welcome views as we continue working with representatives of this sector on the way forward.

- This has been area of discussion from the EFA for a number of years, and it appears to be no closer to a solution.
- Continuing with the actual spend levels would be satisfactory for a temporary measure.
- It will be helpful for the EFA to define a hospital school status?

Question 6: Which methodology for the area cost adjustment do you support?

- Accept that an area cost adjustment is required, but the consideration of differing area costs needs to be wider than London areas.
- Schools in areas that are rural and less popular to live find it very difficult to appoint good teaching and support staff resulting in schools having to pay higher salaries than normal or having expensive supply staff. This needs to be considered in the area cost analysis to avoid these schools being financially disadvantaged by their location.
- Using the hybrid model appears a sensible approach along with wider consideration of area costs due to the geographical circumstances.

Question 7: Do you agree that we should include a proportion of 2016-17 spending in the formula allocations of funding for high needs?

- Having a smooth transition from one funding mechanism to another is extremely important, particularly when it supports vulnerable pupils.
- What is the scaling down of the current spend over the 5 year period or is it fixed?
- Local Authorities have adopted different strategies with high needs funding (i.e. delegation to mainstream schools in formula factors to support integration of special educational need and disability pupils) therefore adopting a national schools formula could possibly remove that funding from those schools leaving the Local Authorities with lower baselines as a result to meet this added financial burden. How is this being considered?
- Having a proportion of current spend levels incorporated within the formula for a period of 5 years along with the proposal of having added protection through a minimum funding guarantee appears to be excessive, and will likely result in minimal funding changes across Local Authorities. This is not fulfilling the intended purpose of the funding system being fair in using 'objective measures or factors that drive costs' and a system that supports opportunity, since funding will be locked in through historic funding levels and guarantees.
- Why is 2016-17 spend levels required within the formula since the minimum funding guarantee baseline will be used for the purpose of protection? Therefore, the minimum funding guarantee level for future years can be used to control reductions in funding for Local Authorities losing funding.
- Will Local Authorities be notified in the next consultation what their funding levels would be without current funding levels being incorporated (i.e. after the 5 year period)? Local Authorities must have a strategic understanding and oversight of future funding; therefore the intended funding envelope needs to be known for each Local Authority (i.e. the monetary values of each factor assuming all things being equal).
- For those Local Authorities that have low levels of high needs funding delegated to them currently, the inclusion of current funding within the formula will continue to disadvantage those authorities from having fair levels of funding, and with the intention of including it for a period of 5 years it further compounds the issue.

- Using objective pupil measures would allow some Local Authorities to have an increase in their funding levels that they are entitled to, which would allow them to fulfil their role to the optimum level possible. A ceiling of gains could be introduced (comparable with the schools block reforms), but fundamentally Local Authorities are transitioning to a fair and objective funding model that represents pupils current characteristics. Therefore, it is not clear why the 2016-17 spend level should be incorporated within the formula itself.
- Will there be a ceiling on Local Authorities gaining?
- The Chancellor announced an extra £500m funding for school funding reforms, is any funding being used to accelerate the transition for high needs funding?

Question 8: Do you agree with our proposal to protect local authorities' high needs funding through an overall minimum funding guarantee?

- As detailed in question 7, this is an added form of protection. It would seem more sensible to have a minimum funding guarantee in place without current funding levels built into the formula, but use the current spend baseline on high needs funding as the comparison for calculating protection monies.
- The proposal of including current spend levels in the formula and a minimum funding guarantee protection appears to suggest that there would be a significant distribution in funding across Local Authorities? Does this mean the EFA is backtracking from its original intentions of using a funding system that is fair and uses 'objective measures or factors that drive costs' and a system that supports opportunity? How long through this current proposal would it take Local Authorities to be typically funded through the formula itself?
- This approach of a double protective measure is not consistent with the approach being adopted in the schools block funding reforms. What is the rationale / justification for this?
- The minimum funding guarantee can be used to facilitate change in a planned and coordinated way without destabilising Local Authorities and its pupils.
- The proposals identify the inclusion of a 'substantial' child population factor in the formula, therefore suggesting that spend levels on the whole typically change when pupil numbers flex. The minimum funding guarantee is a pupil guarantee, therefore this should complement this ideal, however with the inclusion of current spend levels in formula it appears to undermine this theory.

Question 9: Given the importance of schools' decisions about what kind of support is most appropriate for their pupils with SEN, working in partnership with parents, we welcome views on what should be covered in any national guidelines on what schools offer for their pupils with SEN and disabilities.

- Covered within the national guidance it would be beneficial for schools to publish the Graduated Approach criteria to enable parents to understand what support is available; what the child is entitled to; the assess, plan do and review period, and ultimately determining the stage when the school and parents would look at making a request for an EHC plan. Such an approach would achieve consistency in practice across all schools.

Question 10: We are proposing that mainstream schools with special units receive per pupil amounts based on a pupil count that includes pupils in the units, plus funding of £6,000 for each of the places in the unit; rather than £10,000 per place. Do you agree with the proposed change to the funding of special units in mainstream schools?

- No. The practicalities of the place and top up funding are floored again through using it for the special unit's arrangement. Special units are small in size both operationally and financially for a school, and often Local Authorities require a small provision of specialist services / units that they can draw upon to keep pupils within mainstream school settings. Local Authorities agree the capacity of the units based on its geographical needs, and such provision needs to be geared up (namely, staffing, resources etc.) to take in pupils throughout the year. This infrastructure is generally fixed in nature and costs cannot be flexed necessarily in line with pupil numbers

present, therefore makes a mockery of the top up arrangements, since it will either lead to ineffective service delivery or financial loss to the school.

- Funding for special units should be through a commissioned arrangement i.e. fixed annual funding agreement that is identified through identifying and costing up the key cost drivers, which provides financial stability to the schools unit.
- No, we do not agree with the proposal of altering the place value to £6,000 since the funding for units should be kept separate from the main schools funding, including that pupil number deductions from the unit not place number deductions should be made from the schools Number on Roll since places may be unfilled at the time of the census. Secondly, the EFA should reconsider the use of the place and top up arrangements particularly for special units, since it complicates funding arrangements for the school (including how empty places are supported by the Local Authority) and such an approach leads to schools either having operational or financial challenges in running the unit.
- The EFA does not allow local flexibility as stated in the document for planning future places. The Local Authority with the best interests of its pupils and the use of the DSG are unable to influence change due to places being locked in the system, and where service improvements can be made in future (that may result in a reduction in places being commissioned), are overruled due to the school not agreeing to the change, therefore creating an additional cost to the public purse.

Question 11: We therefore welcome, in response to this consultation, examples of local authorities that are using centrally retained funding in a strategic way to overcome barriers to integration and inclusion. We would be particularly interested in examples of where this funding has been allocated on an “invest-to-save” basis, achieving reductions in high needs spending over the longer term. We would like to publish any good examples received.

- Lincolnshire welcomes this conclusion, since inclusion and integration of pupils with special educational need and disability at mainstream schools is a major priority for the authority. Such flexibility allows a range of outreach services to operate supporting schools (through advice and support, intervention, guidance, training etc.) to assist in meeting pupil's needs within their local mainstream school on a range of SEND requirements. This approach equips schools to be more inclusive whilst achieving effective value for money for the DSG. Such outreach services include: supporting pupils with sensory and speech & language; physical difficulties; emotional / autism; behaviour. These services are a combination of commissioned services and those delivered by the Local Authority in-house.
- A concern of the National Funding Formula for schools is that Local Authorities will have no powers to influence schools behaviours through delegated funding changes, and a consequence is that Local Authorities could incur significant budget pressures within its high needs block, which it would find difficult or impossible to manage. Lincolnshire schools were among the highest of all Local Authorities in permanent pupil exclusions and with no availability within its high needs block to implement its strategy of a behaviour outreach service, funding was removed in 2016/17 from schools budget to the high needs block following support from Schools Forum. Without giving Local Authorities powers (on moving funding) to influence change and behaviours in schools (when required), it is a major concern for Local Authorities that the EFA needs to reconsider. This will not support the inclusive agenda.

Question 12: We welcome examples of where centrally retained funding is used to support schools that are particularly inclusive and have a high proportion of pupils with particular types of SEN, or a disproportionate number of pupils with high needs.

- It is unclear whether the consultation is suggesting that this high needs funding is being moved back to the high needs block from the schools block (i.e. removal of notional SEN for high needs pupils) therefore funding the full cost of an EHCP within the high needs block. If this is not the case, setting the expectations of what schools are required to offer is important likewise with low level high incidence SEN requirements.
- Lincolnshire has earmarked a high needs budget to target funding to schools where they have a disproportionate number of pupils with high needs (i.e. over £6,000) compared to a typical school

of that size. It is important to support this inclusion, and the Local Authority felt it was important to have a targeted and formulaic approach to providing objective funding built from an exercise of identifying the levels of notional SEN funding within a typical school size.

- The Local Authority has developed a targeted and formulaic approach that will provide extra funding to those schools that for their size have a higher than average number of Band 6 to 8 statements. The targeted approach seeks to provide an additional £6,000 (less 5% of that sector's AWPUP) for each higher needs pupils (Band 6 to 8 pupil) above the threshold:
 - 1 Band 6 to 8 statement for schools with between 0 and 100 pupils.
 - 2 Band 6 to 8 statement for schools with between 101 and 200 pupils.
 - 3 Band 6 to 8 statement for schools with between 201 and 400 pupils.
- The National Funding Formula for schools should identify typically how many high needs pupils a school of a certain size should be able to accommodate from its funding. If this is not achievable, the notional SEN funding moved into the schools block for high needs pupils (i.e. over £6,000) should be added back into Local Authorities high needs budgets – this will allow Local Authorities to allocate funding to schools based on the pupils agreed requirements. The EFA recognise that the notional SEN has not worked as intended, and many Local Authorities, including Lincolnshire had stated this at the outset.

Question 13: Do you agree that independent special schools should be given the opportunity to receive place funding directly from the EFA with the balance in the form of top-up funding from local authorities?

- No. Lincolnshire response is the same as the one supplied when the EFA asked the same question for non-maintained special schools, and Lincolnshire does not agree with the application of place and top up funding for independent special schools.
- Local Authorities work collaboratively with independent schools through various mechanics, i.e. the timing of payments to support their cash flow; early communication of pupil placement changes or future provision required etc. to support their operations. This supports the EFA's view on creating financial stability for those providers and that successful providers should be able to prosper and grow. This negates the need to provide place funding using such a lagged approach.
- Lincolnshire directly contracts with independent special schools based on a per pupil value to meet the pupils needs or through an agreed banding framework. Payment terms may be in advance to support provider cash flow arrangements, but this approach ensures that funding follows the child.
- Creating a 'lagged' place funding system creates a risk that the EFA recoup place funding from Local Authorities for institutions that are not being filled by pupils. Lincolnshire and other East Midland authorities have experienced this with post-16 high needs places due to the lagged place funding that was created, and we wish to avoid this taking place again, as it is not an effective use of resources.
- Funding for the entire place cost should be paid by the commissioning Local Authority, therefore removing the EFA from the process.
- Lincolnshire is developing a strategy to contain and reduce out of county high needs placements through working with special schools to build in capacity to meet such complexities of pupils needs. Having funding locked in through such a place funding approach will restrict Local Authorities ability to redirect funding to where it is required, and create an obstacle in achieving our overall objective. The high needs block is only a finite sum of funding.
- The EFA have previously stated that Local Authorities can negotiate reduced top up values when places are not fully utilised, but the institutions are in the power position, therefore the likeness of this taking place is low.

Question 14: We welcome views on the outline and principles of the proposed changes to post-16 place funding (noting that the intended approach for post-16 mainstream institutions which have smaller proportions or numbers of students with high needs, differs from the approach for those with larger proportions or numbers), and on how specialist provision in FE colleges might be identified and designated.

- As referred to throughout the consultation response the place and top up funding does not work, and creates an inefficient use of Government funding. Lagged place funding gets locked in the funding regime, which the EFA recoups place funding from Local Authorities for institutions that are not being filled by pupils. Lincolnshire and other East Midland authorities have experienced this with post-16 high needs places, and we wish to avoid this taking place again, as it is not an effective use of resources.
- Local Authorities are unable to alter these lagged numbers where the provider does not agree to a place reduction, therefore this further compounds the issue, which does need addressing. Local Authorities should be given powers to manage place funding.
- The post-16 funding arrangements are overly complex and require further review. It is very difficult to clearly understand what is being proposed within post-16 funding without further detail being disclosed along with examples of how it would work.