

Policy and Scrutiny

Open Report on behalf of Debbie Barnes, Executive Director of Children's Services

Report to:	Children and Young People Scrutiny Committee
Date:	28 November 2014
Subject:	School Funding Arrangements 2015/16

Summary:

This report provides information relating to changes the Local Authority (LA) will be making to the school funding formula from April 2015. The changes stem from the government's radical reforms to school funding in 2013/14 and, more specifically, from the regulation that requires schools to finance the first £6,000 of a pupil's special educational needs (SEN) before additional funding is provided by the LA.

A simplistic response to this regulation could have led to primary and secondary schools with pupils with high levels of SEN losing significant funding. However, the LA has worked long and hard to develop proposals that will reduce the impact upon individual schools to very modest and manageable levels. This outcome has been achieved by: recognising the actual average costs of teaching assistants; redistributing much of the funding back to the same schools in a legitimate manner; developing a targeted approach to funding those schools that have an unusually large number of pupils with high levels of SEN, and; introducing one year transitional protection against all losses. As a result, the LA has been able to mitigate the negative impact that a simplistic response to the DfE regulation would have created. Although this issue affects less than 1% of the Dedicated Schools Grant, the proposals will help preserve the stability and fairness in the school funding system, whilst ensuring compliance with the DfE's regulation. The result is that there will be no major changes to any school's funding; children with SEN will not be put at risk, and; staffing budgets should not be affected.

On 8 October 2014, the Schools Forum supported the LA's proposals and then on 22 October 2014, the Executive Member formally approved them. The proposals were subsequently reflected in the LA's proforma that was submitted to the DfE on 31 October 2014. This shows how Lincolnshire's schools will be funded from 2015/16.

The subject of this report has been considered previously by the Scrutiny Committee, including in the context of the school funding reforms; Children's Services budget, and; the development of plans for the introduction of

Education, Health and Care plans in September 2014.

Actions Required:

The Children and Young People Scrutiny Committee is asked to note the content of the report.

1. Background

The Scrutiny Committee will recall that the DfE introduced radical reforms to school funding arrangements in 2013/14. Indeed, the Committee was consulted on Lincolnshire's response to the reforms in the autumn of 2012, and again in the autumn of 2013 when a number of refinements were proposed by the DfE for 2014/15.

Despite the extensive work that took place to implement the reforms locally, there remained an unresolved issue. The government's regulations require schools to finance the first £6,000 of a pupil's special educational needs before additional funding is provided by the LA. However, the rationale for this, and the impact it should have on the LA's school funding formula, was not widely understood in Lincolnshire or, indeed, in many LAs elsewhere. Officers therefore invited DfE officials to a meeting in Lincoln in February 2014 to clarify a number of issues, pending further work.

It transpired from those discussions that the LA would have to reduce the level of funding for children with the higher level of statements (i.e. Band 6 to 8) by £6,000 each. Whilst this would have ensured compliance with the DfE's regulation by requiring schools to meet the first £6,000 of a child's SEN, officers recognised that the potential implications for pupils and schools could have been highly damaging.

Officers therefore worked throughout the summer of 2014 to develop an alternative approach that would on the one hand ensure compliance with the regulation, and on the other, not materially alter the funding provided for pupils with high levels of SEN. The work, which took a significant amount of time and involved extensive modelling and re-modelling, was concluded in mid September. As a result of that work, officers developed a number of proposals that would:

- a) Reduce the funding for Band 6 to 8 statements, as the DfE regulation required.
- b) Offset that reduction to a degree, by increasing the funding for Band 6 to 8 statements in recognition of the fact that the average cost of Teaching Assistants (TA) is greater than the amount that had previously been funded.
- c) Redistribute the resulting net reduction in funding (i.e. for a) and b) above) for schools with Band 6 to 8 pupils in such a way as to return much of that funding to the same schools.

- d) Develop a system of targeting that provides extra funding for those schools that, for their size, have a larger than average number of Band 6 to 8 statements.
- e) Introduce one-year transitional protection arrangements so that no school would lose any funding in 2015/16.

The result of these proposals is that stability in school funding will be secured. The losses to schools from April 2016 will be both modest and manageable. This position is in stark contrast to the situation that would have prevailed if steps b) to e) above not been taken. The LA's work to: review the TA costs; model the redistribution of funding; develop a targeted model, and; introduce one-year transitional protection, has removed the prospect of a material change in any school's funding.

The timescales for completing this extensive work have been extremely tight. The Scrutiny Committee is aware that the DfE regulations require LAs to consult their Schools Forum¹ on any proposed changes to the school funding formula. So, after finalisation of the proposals in mid-September, a report was drafted and submitted on 29 September for consideration by the Schools Forum at its meeting on 8 October. The Schools Forum supported the LA's proposals and that enabled a report for the Executive Councillor to formally approve the changes to be drafted and published on 14 October. The date for decision was set for 22 October. The proposals were approved and this enabled officers to reflect the decision in the Authority Proforma Tool (APT)², which had to be submitted to the DfE by 31 October 2014.

2. Further information

Further, comprehensive information on this matter is set out in the report to Schools Forum which is attached at Appendix A for information.

3. Conclusion

The proposals referred to in this report will ensure that the LA complies with the DfE's regulation whilst protecting school budgets and ensuring that children with SEN will not be put at risk.

4. Consultation

The Scrutiny Committee was consulted in the autumn of 2012 and 2013, on the DfE's radical reforms to school funding arrangements and the LA's proposed response to them. The matter referred to in this report is a residual issue from that work, which affects less than 1% of the Dedicated Schools Grant.

¹ The Schools Forum includes headteacher, governors and other representatives from maintained schools, academies and other bodies. Members are elected to these positions and are required to represent all schools.

² The APT sets out how the LA plans to fund primary and secondary schools for the next financial year.

The issue in this report arises from the DfE's requirement that schools must meet the first £6,000 of a child's SEN before additional funding is provided by the LA. Often referred to as "notional SEN", the matter has also been central to the extensive work the LA has been undertaking over the past year to implement the new Education, Health and Care plans. The LA's strategy for that has been the subject of regular reports to the Scrutiny Committee over the past year. The changes to school funding referred to in this report will help the LA to implement that strategy, by ensuring that schools retain sufficient funding to meet the needs of children with high levels of SEN.

The DfE requires the LA to consult the Schools Forum on planned changes to school funding arrangements. This took place on 8 October 2014. The Schools Forum supported the LA's proposals.

Although not formally consulted over the proposals, the DfE had a senior official present at the Schools Forum meeting, to observe the proceedings and to listen to the debate on this particular issue. He expressed no concerns about the LA's proposals during the course of the meeting, or in subsequent email correspondence with officers.

A formal decision to implement the proposals was made by the Executive Member on 22 October 2014. This enabled the LA to meet the DfE's timescale for submitting the APT by 31 October 2014.

a) Policy Proofing Actions Required

n/a

5. Appendices

These are listed below and attached at the back of the report	
Appendix A	Report to Schools Forum 8 October 2014 entitled 'Proposed changes to SEN funding in 2015/16'

6. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

BACKGROUND PAPERS			
PAPER TYPE	TITLE	DATE	ACCESSIBILITY
Report to Schools Forum	'Proposed changes to SEN funding in 2015/16'	8 October 2014	Committee Services, LCC

This report was written by Tony Warnock, Operations and Financial Advice Manager. tony.warnock@lincolnshire.gov.uk



REPORT REFERENCE: **0**

REGULATORY AND OTHER COMMITTEE REPORT

NAME OF COMMITTEE:	Schools Forum
DATE OF MEETING:	8 October 2014
SUBJECT:	Proposed changes to SEN funding in 2015/16
REPORT BY:	Tony Warnock (Operations and Financial Advice Manager)
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IS REPORT CONFIDENTIAL?	No

SUMMARY

The purpose of this report is to outline the Local Authority's (LA) proposals to change the school funding formula for primary and secondary schools from 2015/16, to ensure compliance with the DfE's regulations.

DISCUSSION

Introduction

In 2013, the Government introduced a simplified funding system as a step towards the introduction of a national fair funding formula for all schools across the country. One of the changes related to special educational needs (SEN) funding. This created the expectation that schools would finance the first £6,000 of a pupil's SEN from their existing budget, before being allocated further funding by the LA. This requirement is set out in the DfE's regulation 11(3) which states:

'When making the determination under paragraph (1) the local authority must identify within each budget share an amount calculated by reference to the requirements, factors and criteria specified in Part 3 which are relevant to pupils with special educational needs, such amount must be calculated using a sum of £6,000 as the threshold below which school will be expected to meet the additional costs of pupils with special educational needs from its budget share.'³

It remains unclear how the £6,000 figure was determined and how all schools across the country can be expected to have the same sum available for notional SEN when there are such great variations in:

- the Government's Dedicated Schools Grant unit funding for LAs and their schools;
- the size of individual school budgets, and;
- the variability in the number of children with high levels of SEN in each school.

Nevertheless, to help clarify the requirements, officers invited EFA officials to a meeting in Lincoln in February 2014. The EFA officials were unequivocal in their view that the LA needed to comply with Regulation 11(3).

Initially, this was interpreted by officers to mean that the LA would have to reduce the current funding of each Band 6 to 8 statement by £6,000. However, since that meeting, officers have undertaken a detailed review, culminating in this report which sets out proposals for altering the school funding formula for primary and secondary schools from 2015/16. The proposals will ensure compliance with the Regulation.

Proposals

Details of the steps the LA has taken to arrive at the proposals in this report are set out in Appendix 1. However, the position can be summarised as follows:

1. The Regulation states that schools have to meet the first £6,000 of a child's SEN, but it is clear that the LA has, hitherto, been making no such deduction.
2. This does not automatically mean however, that funding for each Band 6 to 8 statement should simply be reduced by £6,000. That is because our analysis shows that the LA is not currently funding the full cost of meeting these pupils' needs. We know that most schools deploy Teaching Assistants (TA) to help meet the needs of pupils with SEN and we have established that the average cost of a full time equivalent TA is £2,137 more than the current funding level.

³ The School and Early Years Finance Regulations for 2014/15 can be found at:
<http://www.legislation.gov.uk/ukxi/2013/3104/contents/made>

3. Therefore, it is the *net* sum that should be deducted from school budgets for each Band 6 to 8 statement, to ensure compliance with the Regulation. Based on the number of band 6 to 8 statements at April 2014, and the number of hours of TA support that each one is specified to provide, it has been calculated that £1.744m should be reduced from primary school budgets and £1.549m from secondary school budgets. This totals **£3.293m** for all primary and secondary schools Band 6 to 8 statements
4. It is important to note that the DfE's Regulation assumes that schools already have £6,000 available within their budgets to meet the initial costs of pupils with statements, including those at Bands 6 to 8. Officers have therefore reviewed the current funding formula to test this out. The focus of that work has been on the most significant changes to school funding that have been made, i.e. those since 2010/11. The results show that the LA is able to demonstrate that primary and secondary schools have, respectively, only £3,233 and £2,450 of notional SEN within their current budgets. Clearly, this is well short of the £6,000 that schools are expected to have to meet the initial costs of Band 6 to 8 pupils. The shortfall equates to £1.136m in primary schools, £1.264m in secondary schools, and therefore **£2.400m** in total.⁴
5. To ensure that we retain fairness in the funding system, it is necessary for £2.400m of the £3.293m required reduction in funding to be redistributed to schools in such a way that will ensure that they have £6,000 in their budgets to meet the initial costs of a Band 6 to 8 statement. The LA has therefore conducted extensive modelling in order to determine the 'best fit', i.e. one that minimise the losses to individual schools. As a result, it is proposed that:
 - a. The £1.136m for primary schools will be redistributed back to the sector by allocating:
 - 38% through the awpu;
 - 62% through the lump sum.
 - b. The £1.264m for secondary schools will be redistributed back to the sector by allocating:
 - 80% through prior attainment;
 - 20% through awpu.⁵
6. Despite seeking the best fit, sizeable losses still arise for some schools and it is clear that for their size, those schools tend to have a higher than average number of Band 6 to 8 statements. It is critical that in complying with the DfE's Regulation, no changes are made to school funding that will discourage the integration of pupils with SEN in to mainstream schools. Therefore, the LA 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. This approach is permitted by DfE regulations and is an approach that many LAs across the country have developed. Based on current data, the cost of the targeted funding would be **£1.117m**.
7. Even with the introduction of targeted funding, some schools will still face budget reductions (albeit they are relatively modest). As the proposed changes would be introduced at relatively short notice, and in keeping with previous practice, the LA proposes to provide full transitional protection in 2015/16, so that no school will lose funding next year. Our modelling suggests that the transitional protection would costs c.**£0.535m** in 2015/16. It is proposed that this will be funded from the 2013/14 DSG underspending.
8. The overall position can therefore be summarised as follows:

	£m
Funding to be deducted from schools with Band 6 to 8 statements, net of the underfunding of TA costs	3.293

⁴ As a separate exercise, officers have been able to confirm that for lower levels of SEN (i.e. statements at Bands 1 to 5), schools do have £6,000 within their budgets to meet the initial costs.

⁵ It is not possible for the LA to redistribute funding through the secondary lump sum because this is already set at the £0.175m limit permitted by DfE regulations.

Less: Funding to be redistributed to schools to ensure that £6,000 of notional SEN is available within their budgets for Band 6 to 8 statements	(2.400)
Sub total	0.893
Less: Funding to be targeted to schools with unusually high levels of Band 6 to 8 pupils	(1.117)
Shortfall	(0.224)⁶

Clearly, the shortfall is expected to be modest in relation to the £485m DSG and if it does materialise, it would need to be funded from the DSG base budget (i.e. headroom). It is important to note that the proposals in this report have been designed to ensure that there is minimal redistribution of resource between sectors.

It is important that schools understand the proposed changes for 2015/16 and why they are being introduced. Schools already know that from September 2014 they will be expected to fund the first £6,000 of a pupil's SEN, but the LA will notify them in due course of the final proposals for changes to school funding arrangements. In so doing, officers will highlight the fact that it is a DfE requirement for the LA to reduce funding levels for Band 6 to 8 statements, but advise that in complying with the Regulation, the LA has:

- recognised and funded the actual cost of TA support;
- acknowledged the underfunding of the £6,000 notional SEN for Band 6 to 8 pupils, and redistributed the majority of the funding to address that;
- introduced a formula to target the remaining funding and thereby help to ensure that schools with unusually high numbers of Band 6 to 8 statements do not lose out, and;
- proposed one year protection against all losses.

Education Health and Care Plans

From September 2014, Government regulations require statements of special educational needs to be replaced by Education, Health and Care (EHC) plans, where appropriate. The LA has received Government grants to assist with converting existing statements to EHC plans, and intends to make that transition over two years, not three. In time, the Band 6 to 8 statements will disappear and be replaced by the new plans. Under the new system, the funding assigned to each child will be to meet their specific needs. Schools will, of course, have to demonstrate that they have used £6,000 of their budget to meet the initial costs. The £6,000 threshold is lower than the LA has been operating since the delegation of funding for Bands 1 to 5 in 2010/11. There is therefore a potential risk that over time, this will increase pressure on the Higher Needs block. To safeguard against this, it is proposed that **£2m** is set aside within the Higher Needs block from 2015/16, to meet such potential costs. This equates to approximately one sixth of the current funding for Band 6 to 8 pupils. The sum would be reviewed on an annual basis.

Officers are continuing to explore how the proposal for targeted funding can continue as EHC plans replace Band 6 to 8 statements. It is important that schools are not financially disadvantaged as EHC plans are introduced and some form of marker to indicate whether a pupil's SEN is high or low may be sufficient to allow the proposed system to continue. This should avoid a situation whereby the targeted funding becomes unfair and ineffective, with adverse consequences for pupils with high levels of SEN.

Implications for schools where pupils belong to other LAs

⁶ This calculation is based on 2014/15 data. The figure may change modestly when 2015/16 actual data is used. This shortfall can easily be financed from the DSG, not least as this is expected to increase by c.£4.5m next year. As the gains for individual schools are so small, it would be inappropriate to seek to finance the shortfall by capping gains.

The Government's school funding reforms for 2013/14 ended special recoupmnt between LAs. Essentially, this has placed the onus on individual schools to secure 'top-up' funding for Band 6 to 8 pupils from the LA to whom the pupil belongs. This has created some local difficulties because one or two LAs have contested the Band 6 to 8 funding rates that Lincolnshire currently applies and have argued that under DfE rules, £6,000 should be deducted because schools are required to meet the first £6,000 from their notional SEN budget. This has led to non-payment of some schools' invoices.

The proposals presented in this report should help to resolve these issues. Firstly, this report demonstrates that a review has been undertaken. Secondly, it has identified that the actual cost of providing support to Band 6 to 8 pupils is higher than previously funded, based on the current actual average costs of TAs. Thirdly, it will reduce the current funding of a Band 8 statement by £3,863. This means that other LAs will be paying £3,863 less to Lincolnshire schools.

The LA will advise those schools that have disputes to communicate this to the relevant LA, and arrange for their invoices to be reduced by these values. The LA proposes to compensate those schools in 2014/15 for the resulting losses. With regard to 2015/16, the LA will advise all schools of the new, lower rates and will consider the impact of this loss of funding from other LAs upon the DSG. The result should be that existing disputes will be resolved and no further disputes will arise, because it will be possible to demonstrate that schools are meeting the first £6,000, as required by the DfE Regulation.

Next steps

The proposals in this report are not driven by LA policy. Officers consider them to be technical changes to the school funding formula, that originate from the requirement for the LA to conform to the DfE's regulations. The LA's response is designed to ensure stability in school funding and aims to minimise the impact upon individual schools through the provision of both targeted funding and one year's transitional protection. The LA has to comply with the regulations and so no alternative options have been developed or considered. The impact of these proposals upon individual schools is expected to be modest.

In light of this, the LA considers there to be no need, or benefit to be gained from consulting with individual schools on these proposals. The LA will consider the views expressed by the Schools Forum and the final decisions will be reflected in the APT proforma that has to be submitted to the EFA by 31 October 2014 (the proforma sets out how the LA plans to fund primary and secondary schools next year). Officers will write to all schools to outline details of the proposed changes and the likely impact upon their budgets for 2015/16 and beyond.

The LA will keep the changes under review.

Conclusions

The LA is required to comply with DfE's regulations. This includes ensuring that Band 6 to 8 statements are correctly funded, having regard to the DfE's expectation that all schools should meet the first £6,000 SEN from their notional budgets. This regulation has presented a considerable challenge. Nevertheless, the proposals in this report aim to: ensure compliance with DfE regulations; fund schools fairly, and; minimise the immediate and long term impact upon individual school budgets. As a result, there is expected to be no impact upon individual pupils with SEN.

RECOMMENDATIONS

The Schools Forum is asked to:

- a. Note the contents of the report;
- b. Support the proposals set out in the report including:
 - a. The net reduction in funding for Band 6 to 8 pupils.
 - b. The redistribution of those funds through the factors described in the report.
 - c. The provision of targeted support.
 - d. The introduction of transitional protection for one year.

APPENDICES (If applicable) - these are listed below and attached at the back of the report.

Appendix 1 – Supporting information

BACKGROUND PAPERS

PAPER TYPE	TITLE	DATE	ACCESSIBILITY
DfE regulations	The School and Early Years Finance Regulations for 2014/15	September 2014	http://www.legislation.gov.uk/ukxi/2013/3104/contents/made

Supporting information

Appendix 1 provides detailed information that underpins the proposals in the main body of this report. The headings indicate the steps that were taken as part of the review.

1 - Identify the notional SEN funding that currently exists within school budgets

The Government requires schools to meet the first £6,000 of a pupil's SEN. Trying to verify that is difficult partly because a figure for notional SEN was not identified when Local Management of Schools (LMS) was first introduced in 1990. Despite this, officers have reviewed the major changes to school funding since 2010/11, e.g. in 2010/11, the LA redistributed £15m of funding for Bands 1 to 5 statements through deprivation and a new prior attainment factor; in 2011/12, £67m of Standards Fund grants were redistributed, including through SEN factors, and; in 2013/14, the LA increased the block allocation for primary schools by £20,000 to help finance extra support for SENCOs⁷. As a result of this work, officers are satisfied that there is £6,000 in school budgets for pupils with statements at Bands 1 to 5. That is not the case for Band 6 to 8 pupils however.

Following a review of the changes in funding since 2010/11, the following sums for SEN have been redistributed through the formula factors that operate today:

Table 1

Funding source	£m
Primary 1:1	1.821
Secondary 1:1	1.297
£20k Primary Block increase (40% Senco)	2.232
Primary - Personalised Learning ⁸	1.351
Secondary - Personalised Learning ⁹	2.521
	9.222

We know that following consultation with schools and the Schools Forum, etc, this funding was distributed as follows:

Table 2

Sector	£m
Primary	5.405
Secondary	3.817
	9.222

⁷ 40% of this was intended for SENCOs. The other main element was to help finance joint Business Manager posts.

⁸ This funding for personalised learning relates to the band 6 to 8 element only.

⁹ As above.

We also know that in 2009/10, the following numbers of statements existed.¹⁰

Table 3

	Primary No.	Primary %	Secondary No.	Secondary %.	Total No.
Bands 1-5	1,198	68.8	1,215	71.8	2,413
Bands 6-8	542	31.2	477	28.2	1,019
Total Number of Statements	1,740	100.0	1,692	100.0	3,432

Using the information in the tables above, we have been able to determine from changes to SEN funding since 2011/12, that for:

- Primary schools - **31.2%** of the **£5.404m**, i.e. £1.686m can be attributed to **542** Band 6 to 8 statements. This equates to **£3,106** per statement.¹¹
- Secondary school – **28.2%** of the **£3.817m**, i.e. £1.076m can be attributed to **477** Band 6 to 8 statements. This equates to **£2,256** per statement.

We can therefore conclude that based on reasonable assumptions and changes made to SEN funding since 2011/12, primary schools have at least £3,106 and secondary schools at least £2,256 notional SEN in their budgets for Band 6 to 8 pupils.

The calculations above ignore any notional SEN that was already in the school funding formula for Band 6 to 8 pupils prior to 2011/12. This is virtually impossible to identify. Officers have therefore adopted an alternative approach and looked at how much other LAs indicate is notionally in their budgets for SEN. On average, LAs attributed 5% of the awpu to SEN. Based on this figure, we can conclude that in Lincolnshire, £127.14 (5%) of the primary awpu, and £193.57 (5%) of the secondary awpu, is attributable to SEN. Assessing how much funding for SEN is included within other formula factors is very difficult to establish and there is no consistency across LAs on this. Therefore, the LA has not tried to estimate this for other formula factors such as the lump sum.

By adding the awpu elements to the funding delegated since 2011/12, it can be deduced that the total notional SEN within school budgets for Bands 6 to 8 statements is at least:

Table 4

Notional SEN for Band 6 to 8 statements	Primary £	Secondary £
Funding delegated since 2010/11	3,106	2,256
Notional 5% awpu funding	127	194
Total	3,233	2,450

The corollary of this is that there is a shortfall in notional SEN funding for Band 6 to 8 statements, as set out in the table below.

Table 5

Shortfall in Notional SEN funding for Band 6 to 8 statements	Primary	Secondary
DfE's expected level of notional SEN funding	£6,000	£6,000
Current level of notional SEN funding	£3,233	£2,450

¹⁰ The 2009/10 numbers for statements have been used because since the delegation of bands 1 to 5 in 2010/11, the balance between the two groups has altered materially and it would be inappropriate to use current numbers for this purpose.

¹¹ The figures in this report are subject to roundings.

Shortfall in funding per band 6 to 8 statement	£2,767	£3,550
Current number of Band 6 to 8 statements	410	356
Shortfall in funding	£1,136,396	£1,264,089

The total shortfall in notional SEN funding in primary and secondary schools for Bands 6 to 8 statements is therefore **£2.400m**. Under the LA's principles for fair funding, this issue needs to be addressed, to ensure that schools have £6,000 notional SEN available within their budgets to meet the initial costs of their Band 6 to 8 statements.

2 – Determine the current cost of meeting the needs of Band 6 to 8 statements

Officers have reviewed the current cost of supporting Band 6 to 8 pupils. In practice, most schools across the county continue to use TAs to provide support. The LA has been aware for a number of years that the funding provided for statements had fallen to the bottom of the TA grade. A review of the current average cost of a TA in Lincolnshire's maintained schools has determined that the average grade is G3.9. With on-costs, this equates to a shortfall in funding of **£2,137** for a full time TA that is supporting a pupil with a Band 8 statement. To ensure that fairness in the funding system is preserved, this aspect must be addressed.

It could, of course, be argued that there are additional costs to schools as a result of having a pupil with a Band 6 to 8 statement, which extend beyond the cost of a TA. Although difficult to estimate, and likely to vary from school to school, other additional costs that arise could include:

- Extra management time provided by the headteacher, or senior leadership team;
- Additional SENCO work;
- Additional class teacher time;
- The purchase of SEN related professional support services;
- Additional supplies and services;
- Extra administration;

The identification and calculation of such costs would naturally lead to the conclusion that funding beyond the extra costs of TAs would also need to be provided for Band 6 to 8 statements. No attempt has been made here to calculate such costs however.

3 – Calculate the amount of funding that should be removed from schools with Band 6 to 8 statements to ensure compliance with Regulation 11(3)

The Government Regulation now requires schools to fund the first £6,000 of a pupil's SEN but, to date, the LA has made no such deduction from its funding of Band 6 to 8 statements. Allowance needs to be made, however, for underfunding of TA costs referred to above. This equates to £2,137 for a full time TA. Based on the number of band 6 to 8 statements at April 2014 and the number of hours TA support each one is intended to provide, it has been calculated that £1.744m should be removed from primary school budgets and £1.549m from secondary school budgets. This totals **£3.293m**.

4 – Determine how to redistribute that funding

It is important to recognise from the information above that there is a shortfall of **£2.400m** in the notional funding available to schools with Band 6 to 8 statements. Therefore, in keeping with LA's long established principles for changes to school funding (i.e. they should be: equitable; transparent; effective; stable; affordable; simple; predictable; efficient, and; responsive.), a substantial proportion of the £3.293m planned reduction in funding needs to be redistributed in a way that ensures that schools have £6,000 notional SEN for their higher level statements. That would leave a balance of **£0.893m**.

Officers have undertaken extensive modelling work to determine for each sector which combination of formula factors should be used to redistribute the £2.400m and, in so doing, provide the greatest level of stability in school funding. The conclusions are as follows:

1. Primary schools. The £1.136m of additional funding should be redistributed to schools by allocating:
 - c. 38% through the awpu;
 - d. 62% through the lump sum.
2. Secondary schools. The £1.264m of additional funding should be redistributed to schools by allocating:
 - a. 80% through prior attainment;
 - b. 20% through awpu.¹²

5 - Review the projected gains and losses and assess whether a system for targeting funding is necessary

The impact of these changes upon primary schools, based on the 2014/15 pupil data and a reduction in funding of £1.744m, is that:

- 166 schools (59%) lose funding
- 113 (41%) schools gain funding
- 72% of schools lose or gain up to £5,000
- The largest loss would be £25,901.

The impact of these changes upon secondary schools, based on the 2014/15 pupil data and a reduction of £1.549m is that:

- 33 (61%) schools lose funding
- 21 (39%) schools gain funding
- 30% of schools lose or gain up to £5,000
- The largest loss would be £50,907.

Although the modelling work has enabled the financial impact upon a large majority of schools to be minimised, there are still some significant losses. The schools with the largest losses have proportionately more Band 6 to 8 statements than schools of similar size. If these losses were left unabated, it could alter the views and behaviours of those schools and lead to adverse consequences for existing or prospective pupils with high levels of SEN. This is something that the LA and the schools concerned will very much wish to avoid.

The LA has concluded that some of the projected losses are too great and therefore an additional targeted allocation of funds is also desirable. This is permitted by the DfE's regulations and is used by many other LAs. The LA has developed a formulaic approach which is designed to provide extra funding to those schools that have an unusually high number of Band 6 to 8 pupils for their size.

6 - Develop a targeted approach

The proposed approach to targeted funding seeks to address the issue by providing an additional £6,000 (less 5% of that sector's awpu¹³) for each Band 6 to 8 pupil, calculated by reference to the following table:

Primary:

¹² It is not possible for the LA to redistribute funding through the secondary lump sum because this is already at the £0.175m limit set by DfE regulations.

¹³ As indicated in this report, the LA has determined that 5% of the awpu can reasonably be assumed to be available to support higher level SEN. When targeting funds to schools, it would be inconsistent to provide a full additional £6,000 as the LA has already declared 5% to be available via the awpu.

Assume 1 Band 6 to 8 statement for schools with between	0	and	100	pupils
Assume 2 Band 6 to 8 statements for schools with between	101	and	200	pupils
Assume 3 Band 6 to 8 statements for schools with between	201	and	300	pupils
Assume 3 Band 6 to 8 statements for schools with between	301	and	400	pupils
Assume 4 Band 6 to 8 statements for schools with between	401	and	500	pupils
Assume 4 Band 6 to 8 statements for schools with between	501	and	650	pupils ¹⁴

So, for example, if a school with 150 pupils on roll had 3 Band 6 to 8 statements, this exceeds the assumed number for a school of that size (i.e. 2), and so this school would receive one additional £6,000 sum (less 5% awpu) of targeted funding for that financial year.

When the targeted funding is added to the LA's proposals for redistributing the £2.400m, the impact upon primary schools changes to the following:

- 146 (52%) schools lose funding
- 133 (48%) schools gain funding
- 88% of schools lose or gain up to £5,000
- The largest loss would be £9,692.
- The cost of the targeted money would be £0.533m.

Clearly, the targeted approach successfully reduces the number and size of losses in the primary sector.

Secondary:

Assume 4 Band 6 to 8 statement for schools with between	0	and	350	pupils
Assume 5 Band 6 to 8 statements for schools with between	351	and	450	pupils
Assume 6 Band 6 to 8 statements for schools with between	451	and	550	pupils
Assume 7 Band 6 to 8 statements for schools with between	551	and	650	pupils
Assume 8 Band 6 to 8 statements for schools with between	651	and	750	pupils
Assume 9 Band 6 to 8 statements for schools with between	751	and	850	pupils
Assume 10 Band 6 to 8 statements for schools with between	851	and	950	pupils
Assume 11 Band 6 to 8 statements for schools with between	951	and	1050	pupils
Assume 12 Band 6 to 8 statements for schools with between	1051	and	1150	pupils
Assume 13 Band 6 to 8 statements for schools with between	1151	and	1251	pupils
Assume 14 Band 6 to 8 statements for schools with between	1251	and	1900	pupils

When the targeted funding is added to the LA's proposals for redistributing the £2.400m, the impact upon secondary schools changes to the following:

- 19 (35%) schools lose funding
- 35 (65%) schools gain funding
- 43% of schools lose or gain up to £5,000
- The largest loss would be £19,401.
- The cost of the targeted money would be £0.584m.

Like the primary sector, this targeted approach reduces the number and size of losses in the secondary sector.

The use of targeted funding in this way is desirable because it will reduce both the number of schools that would otherwise suffer significant losses and the value of those losses. Based on this modelling information, the cost of targeting funding would total **£1.117m**. This would use £0.224m more funding than is available (i.e. £3.293m would be deducted from the relevant schools' budgets; £2.400m of this would be redistributed to ensure schools have £6,000 within their budgets for SEN, and; this would leave a balance of £0.893m which would be fully taken up by the targeted funding). It is proposed that any shortfall in funding that materialises in practice next year, will be financed by funds released from the unwinding of the minimum

¹⁴ Using a regular, stepped approach avoids the pitfalls of 'cliff edges', including the creation of perverse incentives.

funding guarantee in 2015/16. The figures in this report may change modestly when the actual data for 2015/16 is applied but, in broad terms, it is expected that the overall impact of the changes proposed will be broadly neutral for the DSG.

The targeted approach would remain as a permanent feature of the local funding system. This means that should the demographics in a school change so that an unusually high number of Band 6 to 8 pupils is present, the school will not be penalised financially. Equally, the targeting of funds in this way should not incentivise schools to take in more pupils with high levels of SEN, because they will have to be able to demonstrate that £6,000 of funding has been used to meet the initial costs of the pupil's SEN.

7 - Consider whether transitional protection arrangements should apply

Should the proposals in this report be implemented, it is likely that schools will have just a few months to plan for the new arrangements. That could cause a financial problem for some schools, even though the targeted funding is designed to soften the impact. Therefore, in keeping with the approach adopted in recent years for other school funding reforms, the LA proposes to offer full protection in 2015/16 against all losses. The cost is estimated to be £0.431m for the primary sector and £0.104m for the secondary sector. It is proposed that the total estimated transitional protection of £0.535m would be funded from the 2013/14 DSG underspending.

8 - Consider the likely impact of the proposals upon schools (including their future behaviours), and pupils (including those with Band 6 to 8 statements).

The impact of these proposals upon individual schools should be fairly limited. The proposals address the DfE's concern that the LA must require schools to meet the first £6,000 of a pupil's SEN. They also deal with a longstanding issue, i.e. that the LA has not been fully funding the cost of TAs used to support these pupils. In addition, they ensure that the LA is able to demonstrate that it has included within school budgets £6,000 to meet the initial costs of pupils with high levels of SEN. When targeted funding is added, the impact upon the vast majority of schools is modest. Furthermore, the proposal to add a full year of transitional protection means that there will be no adverse financial implications for any school in 2015/16. Due to the stability in school funding that these proposals create, there should be no adverse impact upon the support that pupils with SEN receive.