

NEW MAINSTREAM SEN FUNDING ARRANGEMENTS

Report of the Director of Children, Schools and Families

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1. Purpose

- 1.1 To provide members with information about the results of the recent consultation process with schools relating to the proposed changes to the funding for SEN in mainstream schools.
- 1.2 To seek members' approval for proposed modifications to the formulaic allocations of funding for predictable needs in light of the comments made by schools.
- 1.3 To provide members with further information about the proposed processes for the allocation of funding for exceptional needs and the outcomes of the 'dry runs' of the process which commenced in the autumn term.
- 1.4 To seek members' support for modified transitional protection on the change to funding processes.
- 1.5 To provide information about the impact of the proposals on Central Expenditure retained by the authority, and seek members approval for the consequent breach of the Central Expenditure Limit.

2. Previous Paper

- 2.1 This paper builds upon the detailed information provided in the paper entitled "NEW MAINSTREAM SEN FUNDING ARRANGEMENTS" which was discussed at the meeting of the Forum on 18 October 2006.

3. Outcomes of Consultation

- 3.1 By the end of business on 3 January 2007, 156 responses had been received from schools. A summary of the responses relating to the proposed changes to funding for Special Educational Needs in mainstream schools is attached as Appendix A.
- 3.2 Schools made a variety of comments to the consultation proposals, the majority of which are discussed in this paper. The original response forms will be available for inspection at the Schools Forum meeting.

3.2 Budget Split

- 3.2.1 Overall schools strongly supported the proposed budgetary split between predictable and exceptional needs in primary schools. 74% of primary schools and 88% of secondary schools agreed with the proposed split of the primary budget. Respondents from Special and Nursery schools all agreed with the proposed split of the budget.
- 3.2.2 Schools also strongly supported the proposed budget split between predictable and exceptional needs in secondary schools. 73% of secondary schools supported this proposal. A small number of schools commented that they did not agree that the budgetary split in secondary schools should be different from that in primary schools. This was reflected in the lower level of support for this proposal from primary schools, with 67% agreeing with the proposal.
- 3.2.3 One of the key objectives of the proposed change to SEN funding arrangements is to maximise school funding rather than individual pupil funding. The budget split has therefore been set as high in each sector as thought appropriate by the working group. The working group felt that the budget split should be set higher in secondary schools in view of the greater breadth of their resources and their greater ability to deal with a variety of pupil needs.
- 3.2.4 The authority does not propose any amendment to the budget split in either sector.

3.3 Exceptional Needs allocation process

- 3.3.1 The proposed methodology for assessing exceptional needs received overall support from schools. 58% of primary schools, 57% of secondary schools and 100% of nursery schools agreed with the proposed exceptional needs decision making process.
- 3.3.2 Some seventeen schools commented that the proposed exceptional needs process would represent an additional and bureaucratic demand on the time of Headteachers and / or SENCOs. Comments suggested that preparation of cases and attendance at meetings would be a heavy burden. One respondent specifically suggested that funding should be provided to pay for such activities.

- 3.3.3 Based on the number of statements currently funded at over 15 LSA hours (primary) and over 20 hours (secondary), it is anticipated that approximately 630 pupils within the county would have exceptional funding awarded to their schools at any time. This is an average of approximately 60 pupils per district, and it is likely that only one third to one quarter of these pupils would be considered by the panels in any year. A “worst case” estimate suggests that there may be up to 630 cases for the clusters to consider in the first year, which would amount to approximately 12 cases per cluster. During the “dry runs” of the cluster process held through the autumn term, clusters discussed two cases, sometimes three or more, within a one hour session. Therefore it is anticipated that the demand on cluster members’ time should be no more than three half-days per year.
- 3.3.4 District panels are likely to meet on a regular termly basis. Assuming that the clusters recommend up to 50% of the cases they consider, there may be 315 cases to be considered by the district panels in the first year. The district panels vary in size more than the cluster groups so there would be variations in the number of cases to be considered by each panel, however the average would be about 32 cases per year. Accordingly it is anticipated that the demand on district panel members’ time may be between one and three days per year.
- 3.3.5 The proposed formula includes an allocation of £1,000 per school. This is not earmarked for any specific purpose, but should ensure that all schools can play their full part in the new exceptional needs process.
- 3.3.6 The draft exceptional funding submission proforma that was used as part of the dry run is considerably simplified from the form in use for Earmarked Pupil Funding (EPF) allocations. Historically, there have been over 1,000 applications for EPF per year. The reduction in the complexity of the documentation and in the number of cases to be considered will directly benefit schools. As the new resourcing system gets embedded , statements may become less necessary and there would therefore be a reduction in the administrative demands on schools connected with the statutory assessment process.
- 3.3.7 Thirteen respondents commented that the new process would put schools in a position of competing with each other for limited resources. Some of these comments indicate that the fact that the budget is limited had not previously been clear to all schools. The increased transparency of the proposed exceptional needs process will ensure that schools are aware that funding for special needs is a demand on the Dedicated Schools Grant from which all school funding is sourced.
- 3.3.8 Eight respondents commented that information about the new panel processes, especially the role of officers, was incomplete and needed to be clarified. Further information about the new exceptional needs process is set out in section 5 below.

3.3.9 A small number of schools commented that they felt their cluster was inappropriate, either including members who would not otherwise work together or due to being too large. The clusters are based on the proposed consortia for extended schools, which have been subdivided where consortia are too large for the SEN cluster to work effectively. The membership of some clusters remains under review following the consultation.

3.3.10 The authority does not propose any amendment to the published processes for exceptional needs decisions. Further information about the new exceptional needs process is set out in section 5 below.

3.4 Predictable Needs Formula

3.4.1 Overall schools gave weak support to the proposed formula, with 51% of respondents supporting the proposal. 72 responses agreed with the proposal whilst 70 responses disagreed. 53% of respondents from primary school supported the proposed formula, however secondary school respondents disagreed with the proposal by 20 schools against to 16 schools in favour.

3.4.2 Of the 70 schools which disagreed with the proposed formula, 53 made comments explaining their views. Only 8 of the 53 comments objected to the concept of a formulaic allocation, whilst the remaining comments related to the details of the proposed formula. Two secondary schools indicated an objection to the concept of a formulaic allocation for SEN.

3.4.3 24 of the 53 comments objected to the use of Free School Meals (FSM) as a formula factor. The majority of these felt that FSM should not be used at all, and that allocations should be based on a combination of prior attainment and numbers on roll. Other responses suggested that the weighting applied to FSM was too high, and two schools suggested that FSM entitlements should be used as opposed to the FSM take up. There is no reliable measure of FSM entitlement at county level, and collecting this data would therefore be a new burden for schools. Four secondary schools disagreed with the proposed formula due to the weighting applied to FSM. One of those schools suggested use of a different published index for deprivation, however this is not in general use within Hertfordshire and collecting this data would therefore be a new burden for schools. Conversely, 3 schools commented that the weighting for factors correlated with behavioural needs (ie FSM) was too low.

3.4.4 The possibility of making amendments to the proposed formula in respect of the weighting applied to the formula factors is explored in section 4 below.

3.4.5 One secondary school objected to the formula on the grounds that it would not recognise the needs of a new school. This is the case with many aspects of formula funding. The authority deals with these issues

by recognising the impact of planned changes to pupil numbers where a Prescribed Alteration has been implemented, or where the authority has requested a variation to normal admissions arrangements. The authority will consider similar adjustments to SEN formula allocations.

- 3.4.6 Six schools objected to the proposed formula on the grounds that they were unable to predict the effect on their own funding, and based on an assumption that they would lose funding under the new arrangements. If schools had responded to the consultation based on their individual gains or losses against 2005-06 actual allocations, the proposals would have received strong support.
- 3.4.7 Four schools were concerned about the methodology for assigning prior attainment scores in nursery classes by applying the average score from the remainder of the school. The performance of each cohort will indeed vary, but it is intended that by use of the average attainment in the remainder of the school the average funding provided will over time meet the needs of the nursery classes.
- 3.4.8 The authority proposes a variation to the weighting applied to Free School Meals, which is discussed in section 4 below.

3.5 Nursery Schools

- 3.5.1 Nursery school respondents both supported the proposed formula for Nursery Schools, and overall 73% of schools supported this proposal. The authority does not propose any change to the published formula for Nursery Schools.

3.6 Transitional Protection

- 3.6.1 Overall 70% of respondents agreed with the proposed transitional protection arrangements. 74% of primary schools supported the proposed protection arrangement, however secondary schools gave lower support with 17 respondents indicating agreement with the proposal and 14 respondents disagreeing.
- 3.6.2 Five primary school respondents assumed that small schools would tend to be losers, and two first school respondents assumed that first schools would all lose under the proposed arrangements. In fact the modelling work examined by the working group indicates that the pattern of gainers and losers is similar for all types of school and for each district of the county, ie that gainers are a majority in each case.
- 3.6.3 Five secondary respondents and three primary respondents suggested that the protection level should be set at a lower level. Conversely, one primary school commented that transitional protection should not be to the disadvantage of those who need additional funding to meet the needs of pupils as identified by the data. Six secondary schools, including the five comments above, suggested capping any losses in secondary schools at £20k per year.

- 3.6.4 Comments indicate a variety of views about the duration for which transitional protection should be provided. Two schools suggested that protection should be provided for at least three years. Two responses suggested that protection should apply for two years, one of which was phrased that “transitional funding should last no more than two years”. Four responses suggested that transitional protection should apply for one year. This was also the firm view of the working group.
- 3.6.5 Proposed modifications to the transitional protection arrangements are discussed in section 6 below.

3.7 Other Issues

- 3.7.1 A parent of a child with an existing statement contacted the School Funding Unit during the consultation process for clarification of the proposed changes. A copy of the consultation document was sent to the parent however no response form was received. A letter of objection was received from a family with a statemented child, however the family does not appear to have seen the authority’s proposals and the objection is to any change which might disadvantage their child.
- 3.7.2 The working group has considered the arrangements which would be necessary in respect of pupils from other Local Authorities placed in Hertfordshire maintained schools. The inter-authority recoupment Regulations depend on either the existence of statements or on agreements between authorities. It is therefore proposed that the arrangements for inter-authority pupils should continue as at present.
- 3.7.3 One respondent to the consultation objected to the proposed formula on the grounds that it would not provide resources for pupils who transferred out of Special Units to mainstream provision. Such pupils could be considered through the exceptional needs process, however if the panel did not make an allocation then no funding would be provided. Many existing formula funding arrangements make an allocation based on data as at a fixed date, and schools are accustomed to managing the consequences of any changes.

4. **Predictable Needs Formula**

- 4.1 The working group had considered an analysis of the types of need for which statemented resources had been provided in the full year 2005-06. The analysis indicated that 69% of statements would be expected to correlate with an impact on the attainment of the pupil, 18% would be expected to correlate with social deprivation (eg. the majority of statements for speech and language difficulties and behavioural problems) and the remaining 13% had no such underlying correlation, and would be distributed based on pupil numbers.

- 4.2 The weightings per formula factor had therefore been rounded as follows:
- Prior Attainment 70%
 - Free School Meals 20%
 - Pupil Numbers 10%
- 4.3 In view of the reactions of schools to the proposed formula, and in particular the objections raised by secondary schools to the use of Free School Meals (FSM) and / or the weighting applied to FSM, the weighting applied to each factor has been reviewed. Although the data indicates a small difference in weighting between the primary and secondary sectors may be justified, this would not have any significant impact on the weighting for FSM. The working group had agreed that the weightings should, if possible, be the same across all mainstream schools.
- 4.4 The working group has agreed that the weightings for the formula factors should be amended as follows:
- Prior Attainment 70%
 - Free School Meals 15%
 - Pupil Numbers 15%
- The weighting applied to FSM would therefore decrease from 20% to 15%. Although this will not satisfy schools which objected to the use of FSM in any form, it should represent a significant improvement to those schools which felt that FSM was too heavily weighted in the formula proposed in the consultation document.
- 4.5 Previous modelling work indicates that any increase in the proportion of the funding allocated by pupil numbers tends to reduce the turbulence against historic allocations. The Schools Forum is asked to endorse the revised factor weightings.

5. Exceptional Needs Decision-Making Processes

- 5.1 Dry runs of the cluster moderation process were held in the autumn term. These were very well attended by headteachers and SENCOs across all school sectors and districts. Feedback indicated that schools found it useful to share challenges and expertise and it helped them to understand the new process. Ideas for improving the process included keeping the size of clusters to no more than 12 schools and there were suggestions about the information presented with submissions. Schools had a variety of questions about the new arrangements, which have been collated with answers and will be published by the end of January.
- 5.2 Recommendations from the clusters will be considered at district level by a panel of Headteachers, SENCOs and officers. A dry run of this part of the process is taking place in January. In addition to a school representative from each cluster, panel members will include

representatives from the Educational Psychology Service, Special Needs Teams, Advisory Teacher Teams, School Effectiveness Advisers and Parent Partnership. The panels will be administered by Special Needs Officers but it is proposed that they may be chaired by either a school or local authority representative. Further work will be carried out after the dry run on the detailed arrangements for the operation of the district panel process, including a definition of the roles of the participants.

- 5.3 A notional exceptional needs budget will be managed at the district level. At present it is proposed that this should be distributed according to pupil numbers. An examination of the relationship between pupil numbers and the allocations of existing exceptional levels of funding indicates a strong correlation at primary level but there are some significant discrepancies between districts at secondary level. Further work is being done to analyse the reasons for and the implications of these differences.
- 5.4 It is important that there is clear monitoring linked to the new arrangements. As part of this, the district panel decisions will be moderated through a post-hoc county-wide process. The authority is also committed to fully evaluate the implementation and impact of the new SEN funding arrangements after a reasonable timescale.

6. Transitional Protection

- 6.1 As agreed at the October meeting of the Forum, the authority has continued to review the arrangements for transitional protection. Initial modelling work has been carried out projecting the expected 2007-08 allocations based on statements in force at December 2006. This indicates that a similar overall pattern of gainers and losers will occur when comparing the results of the formula to the projected stated resources. However some of the larger gains and losses are in different schools from those which had been identified as the larger gainers and losers against the 2005-06 allocations. This confirms that the 2005-06 historic allocations are a poor basis for transitional protection.
- 6.2 In order to ensure that all schools can participate in the exceptional needs panel processes, it is proposed that the £1k per school lump sum allocation should be made to all schools and not included in the calculation of transitional protection.
- 6.3 It is proposed that the calculation of transitional protection will be amended to compare, for each school:
- i) the projected value in 2007-08 of all Earmarked Pupil Funding allocations and stated resources (for those statements included in the predictable needs budget) which were in force at 31 December 2006; and
 - ii) the total of the Predictable Needs Formula allocations for prior attainment, free school meals and pupil numbers.

Transitional protection will ensure that any shortfall of the formulaic allocation against the projected value of existing pupil allocations is limited to 2% of the 2006-07 School Budget Share. In effect this bases transitional protection on the latest estimate of 2007-08 allocations rather than actual 2005-06 allocations.

- 6.4 This transitional protection is estimated to require approximately £45k. The values cannot be finalised until the 2007 PLASC data is available. This protection will be funded by reducing the total allocated through the predictable needs formula, and will apply to financial year 2007-08.
- 6.5 The working group and officers have continued to discuss appropriate transitional protection arrangements whilst Hertfordshire schools move to the new SEN funding arrangements. This change involves moving to a system which funds schools instead of funding individual pupils, and represents a significant culture change for schools. It also represents a substantial culture change for parents of children with special needs and for service providers. Accordingly the working group and officers now propose further transitional protection in addition to that outlined in paragraph 6.3 above.
- 6.6 It is proposed that the further transitional protection will ensure that each school receives at least the resources represented by the sum of the statements (for those statements included in the predictable needs budget) which were in force at 31 December 2006. This protection will be provided by capping the cash value of gains identified during the calculation of 2% transitional protection under paragraph 6.3 above. It is proposed that this protection should be provided for the financial year 2007-08 in the first instance.
- 6.7 The Schools Forum is requested to review the requirement for any continuation of this protection for 2008-09 in the autumn term 2007.

7. Revised SEN Budget

7.1 Predictable Needs Budget (£k)

	<u>Nursery</u>	<u>Primary</u>	<u>Secondary</u>	<u>Total</u>
Earmarked Pupil Funding Statements:	9	950	515	1,474
Band 1		78	121	199
Band 2	8	1,236	1,129	2,373
Band 3	10	1,110	973	2,093
Band 4			607	607
Additional Funding	19	946	485	1,450
Total Predictable Needs	46	4,320	3,830	8,196

7.2 Exceptional Needs Budget (£k)

	<u>Nursery</u>	<u>Primary</u>	<u>Secondary</u>	<u>Total</u>
Statements:				
Band 4	2	968		970
Band 5		679	395	1,074
Band 6		431	406	837
Additional Funding	1	199	50	250
Total Exceptional Needs	<u>3</u>	<u>2,277</u>	<u>851</u>	<u>3,131</u>

8. **Central Expenditure Limit**

- 8.1 In previous years, a significant proportion of the Earmarked Pupil Funding and funding for statements (Additional Welfare and Tuition, or AW&T) has been included in school budget shares published at the start of the financial year. Technically these allocations have been delegated rather than devolved. The proposed arrangements treat the whole of the predictable needs and exceptional needs allocations as devolved funding. It is therefore necessary to amend the Schools Budget 2007-08 to move the amounts which would otherwise have been delegated in school budget shares into centrally retained items. This reduces the ISB by approximately £3.6 million, and increases the centrally retained budget by the same amount.
- 8.2 The remaining budgets for EPF and AW&T have previously been held as centrally retained items therefore there is no structural change to the budget for these in year allocations.
- 8.3 The regulatory Central Expenditure Limit is based on the percentage change each year in the ISB, therefore moving funding out of the ISB reduces the regulatory limit at the same time as increasing the central expenditure.
- 8.4 The additional funding of £1.7m for SEN in mainstream schools will also be added to the centrally retained items. In total the centrally retained budget will increase by £5.3 million over the indicative budget for 2007-08 which was published in April 2006.
- 8.5 The Schools Forum is asked to specifically approve the holding of the budgets for the predictable needs formula and for exceptional needs allocations within the centrally retained budgets of the authority. The overall effect of all decisions to hold amounts in the centrally retained budgets is discussed in the Schools Budget paper later in this meeting.
- 8.6 The Schools Forum is also asked to give approval for reconsidering all aspects of the budget split between predictable and exceptional needs, the formula, transitional protection, and potential delegation of the SEN

formula to schools on appropriate occasions within the forthcoming multi year funding period 2008-09 to 2010-11.

9. Implementation

- 9.1 As indicated in section 5 above, the dry run of the exceptional needs decision making process is continuing, with a dry run of the district panels on 18 January. Following this event, the process will be fully documented and training events will be arranged for Heads, SENCOs and officers. A "Questions and Answers" document has been prepared and will be made available via the web site (The Grid).
- 9.2 The authority has just published invitations for parents to attend one of 8 briefing sessions on the new arrangements. These will take the form of workshops seeking parents input on what would work well.
- 9.3 An outline of the consultation responses and the authority's proposed responses was discussed with the Primary Heads Forum Executive on 10 January. Officers will be available to discuss the new arrangements with the Headteacher groups on request.
- 9.4 The School Funding Unit publishes a booklet entitled "Budget Preparation Guidance for Schools" each year alongside school budget shares. It is intended that this will include a section covering the new SEN funding arrangements and the impact on budgeting processes, and will tie together all potential funding sources for SEN provision including the exceptional needs process, formulaic allocations for predictable needs, the Additional Educational Needs Allowances, Personalised Learning allocations and the Age Weighted Pupil Unit allowances.

10. Conclusion

- 10.1 Members are asked to consider and comment on the outcomes of the consultation process.
- 10.2 The Schools Forum is asked to endorse the proposed budget split, exceptional needs allocation process, modified funding formulae and enhanced transitional protection arrangements for consideration by the Cabinet.
- 10.3 The Schools Forum is asked to approve the retention of funding for Special Educational Needs in line with the budget set out in section 7 above, including the £1.7m additional funding, as a centrally retained item within the Schools Budget of the authority.
- 10.4 The Schools Forum is asked to approve an annual review of the SEN funding arrangements within the forthcoming multi-year funding period 2008-09 to 2010-11.

Appendix A

Summary of consultation results by sector at end December 2006

	Primary			Secondary			Special			Nursery			All schools		
	No	% of responses	% of sector	No	% of responses	% of sector	No	% of responses	% of sector	No	% of responses	% of sector	No	% of responses	% of Total
Sector total Responses	407			82			25			15			529		
	108		27%	39		48%	8		32%	2		13%	157		30%
Funding for Special Educational Needs in mainstream schools															
Proposal 1	Budget split between exceptional and predictable needs - Primary														
Agree	76	74%	19%	7	88%	9%	2	100%	8%	2	100%	13%	87	76%	16%
Disagree	27	26%	7%	1	13%	1%	0	0%	0%	0	0%	0%	28	24%	5%
Proposal 2	Budget split between exceptional and predictable needs - Secondary & Middle														
Agree	24	67%	6%	27	73%	33%	1	100%	4%	0	0%	0%	52	70%	10%
Disagree	12	33%	3%	10	27%	12%	0	0%	0%	0	0%	0%	22	30%	4%
Proposal 3	Exceptional needs decision making														
Agree	57	58%	14%	20	57%	24%	0	0%	0%	2	100%	13%	79	58%	15%
Disagree	42	42%	10%	15	43%	18%	1	100%	4%	0	0%	0%	58	42%	11%
Proposal 4	Predictable needs formula														
Agree	54	53%	13%	16	44%	20%	1	33%	4%	1	100%	7%	72	51%	14%
Disagree	48	47%	12%	20	56%	24%	2	67%	8%	0	0%	0%	70	49%	13%
Proposal 5	Predictable needs formula in Nursery schools														
Agree	35	73%	9%	7	78%	9%	0	0%	0%	2	100%	13%	44	73%	8%
Disagree	13	27%	3%	2	22%	2%	1	100%	4%	0	0%	0%	16	27%	3%
Proposal 6	Transitional Protection														
Agree	71	74%	17%	17	55%	21%	1	100%	4%	1	100%	7%	90	70%	17%
Disagree	25	26%	6%	14	45%	17%	0	0%	0%	0	0%	0%	39	30%	7%