

**MAINSTREAM SEN FUNDING ARRANGEMENTS for PREDICTABLE
NEEDS**

Report of the Director of Children, Schools and Families

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1. Purpose

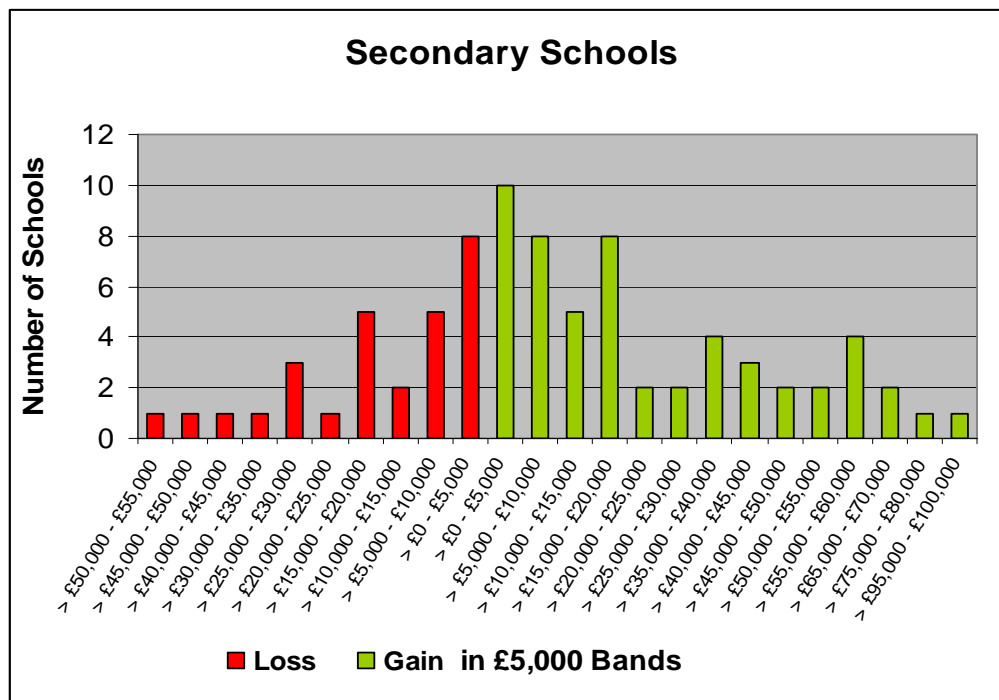
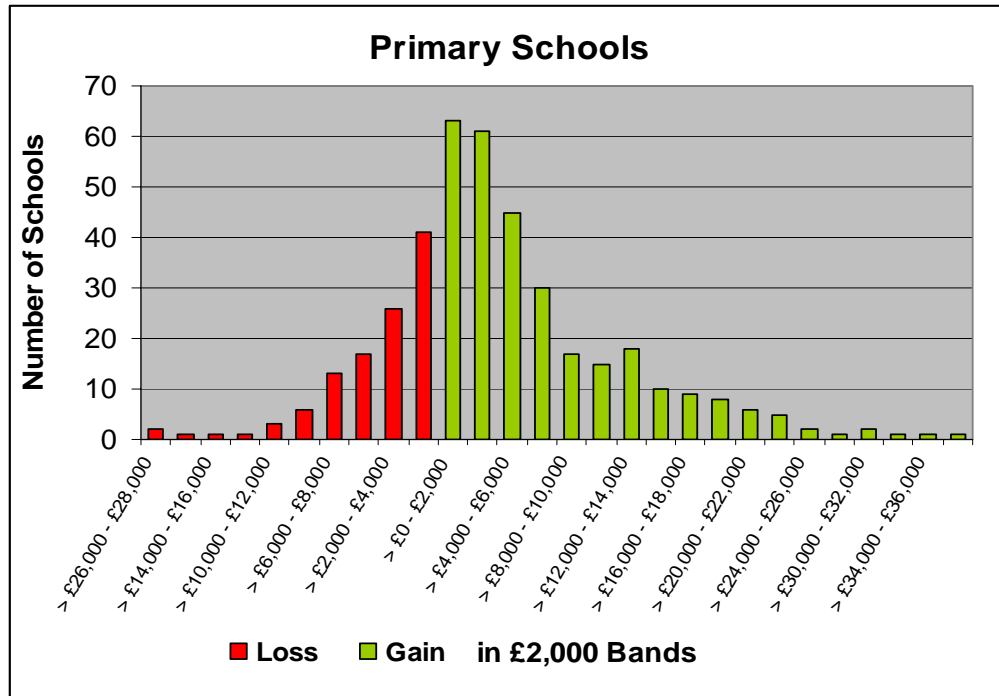
- 1.1 To provide members with information about the outcomes of visits to schools following the introduction of revised funding arrangements for predictable SEN in mainstream schools from April 2007.
- 1.2 To seek members' support for a proposed modification to the formula for funding Predictable Needs in respect of the nursery classes of primary schools, and to seek members' views on the need to consult with all schools on this change.
- 1.3 To seek members' support for a continuation of transitional protection to assist schools in managing the change to funding processes.

2. Previous Papers

- 2.1 This paper builds upon detailed information provided in previous papers considered by the Forum:
 - NEW MAINSTREAM SEN FUNDING ARRANGEMENTS 18/10/2006
 - NEW MAINSTREAM SEN FUNDING ARRANGEMENTS 17/01/2007

3. Visits to Schools

3.1 The charts below illustrate the number and approximate value of projected gains and losses in primary and secondary schools.



3.2 The charts emphasise that the majority of schools will gain as a consequence of the revised funding arrangement. However a small minority of schools are projected to be faced with a significantly

reduced allocation of funding for Special Educational Needs at a predictable level.

- 3.3 The Authority requested meetings with the Headteacher and other representatives of the schools projected to be most significantly affected. This amounted to four secondary schools projected to lose in excess of £30k, and three primary schools projected to lose in excess of £20k. Two of the three secondary schools projected to lose between £25k and £30k also requested a meeting, and two additional primary schools requested a meeting.
- 3.4 The meetings were wide ranging and covered a variety of issues. As would be expected, schools were concerned about the impact on pupils and on staff. Most of the schools were keen to start finding a way forward based on the indicative funding allocations, and sought ways to manage the change. All schools visited agreed that notification of the level of resources at the start of the financial year would be an advantage for financial planning, though unsurprisingly the schools projected to lose most did not feel that the planning advantage adequately compensated them for the financial impact.
- 3.5 Key issues and concerns raised by the schools were:-
- Doubts that the Exceptional Needs allocation process could be effective, and in particular several requests that there should be a clear county-wide moderation process;
 - Doubts that average attainment scores from the remainder of the school can reasonably be applied to nursery pupils;
 - The contrast between the new funding arrangement and the methodology that parents and external service providers have previously experienced;
 - The existence of support staff employment contracts linking continued employment to a named child continuing on roll of the school;
 - The “cut-off” in secondary schools should be 15 hours as in primary schools;
 - The relevance of free school meals data as a predictor of SEN;
 - Transitional protection allocations should include amounts for pupils transferring into sixth forms in Autumn 2007;
 - The way that the revised SEN funding arrangement fits against the Every Child Matters agenda;
 - The formula methodology particularly impacts certain types of school, and there are schools with “Exceptional Needs”;
 - Support for pupils with SEN is a statutory responsibility of the authority and not of schools.

Responses to all of these issues were given to the schools during the meetings. Most of these issues have been discussed by the working group and the Schools Forum at previous meetings.

- 3.6 All of the schools visited agreed that the transitional protection arrangement for 2007-08 had prevented any significant difficulties arising during this financial year, though one of the schools has more recently commented that some in-year pressure is now arising. The transitional protection allocations require adjustment in respect of the pupils transferring into the sixth form from autumn 2007. This allocation cannot yet be evaluated but will certainly assist towards meeting the in-year pressure in that school.

4. Comments responding to issues raised

- 4.1 Several of the primary schools visited indicated that they would have little confidence in the process for allocation of Exceptional Needs funding. These schools sought reassurance that there would be a county-wide moderation process. This is a matter which the working group has discussed in the past, and indeed the working group itself recently examined some decisions made by the summer term District Groups. It is intended that the need for a county-wide moderation group will be an agenda item for a future meeting of the working group.
- 4.2 The use of average attainment from the rest of the school in respect of nursery pupils in primary schools is discussed in section 5 below.
- 4.3 The scale of the culture shift required not only from schools and county officers, but also for parents and external support services was a key reason for providing transitional protection in 2007-08. Transitional protection was provided for just one year in the first instance because it had to be funded by capping the gains to a number of schools whose data indicated that they needed more Predictable Needs funding than was delivered by the lower levels of the previous AW&T budgets and by EPF. However it was agreed that this protection should be reviewed in time to consider an extension for 2008-09.
- 4.4 The impact of the numbers of staff with contracts linked to named children is discussed in section 6 below.
- 4.5 The point chosen as a cut off between the budgets for Predictable and Exceptional needs in secondary schools has been discussed extensively by the Forum in the past. Although the schools with larger adverse impacts to their funding are keen to see the cut off changed, similar numbers of secondary schools have contacted the School Funding Unit suggesting that they should have their entire SEN budget allocated at the start of the year.

The LSC recently consulted on changes to SEN funding arrangements for sixth forms, however no announcements relating to SEN funding have been received. Consequently there is no new information indicating a necessity to review the budgetary cut off for secondary schools.

- 4.6 In all of the secondary schools visited, and also in some of the primary schools despite their smaller size, the schools PLASC data showed that pupils entitled to free school meals were at least twice as likely to appear on the SEN register at school action, action plus or statemented levels compared to pupils not entitled to free school meals.
- 4.7 In developing the methodology for the transitional protection it was always intended that pupils transferring into sixth forms should receive protection allocations where necessary to meet the commitment to ensure that all statements existing at 31 December 2006 would be funded in full. The funding cannot be evaluated until all sixth form transfers are fully settled and notified to the authority. Funds are currently expected to be transferred to schools in November.
- 4.8 It is the view of the authority that transferring funds to schools at the start of the year and enabling schools to use the funds more flexibly for any SEN needs is wholly supportive of the Every Child Matters agenda. Schools know and can react to the changing needs of pupils and families from day to day and week to week in a way which is not possible for local authority officers. Flexible use of all the available resources to meet the current needs of pupils is fully in accord with the approach envisaged by the ECM agenda.
- 4.9 Analysis and modelling work, both before and since introduction of the new funding arrangement, has not found any correlation between the sizes of gains or losses and the numbers of pupils with statements or on the SEN register of schools. Although several of the schools with the larger losses are highly inclusive, so are many of those schools which make gains from the new funding arrangement. It is entirely to be expected that a formula funding arrangement will not exactly match resource requirements. Formula funding relies on the use of proxy data to deliver total resources which on average and over time will meet all the needs of the school.

It is a requirement of the School Finance regulations that the same funding formula is applied to all schools of a given phase, with only limited exemptions where there are clear difference in the costs incurred by schools of a different category eg admissions in foundation and VA schools.

- 4.10 The requirement to ensure that appropriate provision is made for pupils with SEN is a statutory responsibility of the authority. The actual delivery of teaching and learning support is devolved to schools, and the requirement for schools to make appropriate provision has not been affected in any way by the change to funding arrangements. However the change has been accompanied by giving schools greater freedom to determine how support should be allocated to pupils. The authority remains responsible for ensuring that any provision specified in a

pupil's statement is provided by the school. None of the statutory duties are affected by the change to funding arrangements.

5. Nursery Pupils

- 5.1 In primary schools, the new formula arrangement for the funding of Predictable SEN includes nursery pupils in the calculation of the allowances based on prior attainment and on free school meals data. The free school meals and prior attainment elements are currently calculated by using the average value for the remainder of the school, and applying that average to the nursery classes. This methodology means that, other than pupil numbers, no data relating to the actual nursery cohort is used in the calculation of the funding for Predictable SEN.
- 5.2 This contrasts with the arrangement in the nursery schools, which does not include allocations for free school meals or for prior attainment, and shares the available funding between the nursery schools on the basis of planned places.
- 5.3 An earlier paper on this agenda proposed a change from free school meals data as the formula basis for the funding of Social Deprivation and Additional Educational Needs allowances in respect of nursery age pupils. If the changes proposed in that paper are approved, the Authority would wish to amend basis for the allowance included in the Predictable SEN funding formula for primary schools so that IDACI data is used for nursery pupils instead of attributing average data from the rest of the school. The Schools Forum is asked to endorse this change to the funding formula for Predictable SEN and to indicate whether it is necessary to consult with all schools on this proposal.
- 5.4 As there is rarely prior attainment data for reception pupils, attributing the prior attainment data from the remainder of a primary school to the nursery class means that the average is applied to a cohort which will not appear in the school's data for two years. In primary schools which operate a nursery class for pupils which expect to be admitted to the reception class at a neighbouring primary school, this is exacerbated because approximately half of the nursery pupils will never be included in the prior attainment data of the school.
- 5.5 The Authority therefore proposes that the funding allowance for prior attainment for nursery pupils in primary schools should be replaced by sharing the funding for this allowance between the primary schools with a nursery in proportion to the number of nursery pupils on roll at the January census date¹.

¹ There are no longer any Hertfordshire schools which admit pupils at April.

- 5.6 Forum members are aware from previous discussions that increasing the proportion of Predictable Needs funding distributed according to pupil numbers tends to reduce the funding turbulence compared to the allocations based on statements. The impact of the changed methodology compared to the existing pattern of projected gains and losses is as follows:

	Number Schools	Sum of Change	Maximum Change	Average Change
Increase Gain	99	71,482	2,106	722
Increase Loss	10	3,417	780	342
No Change	131	-	-	-
Reduce Gain	109	121,746	4,866	1,117
Reduce Loss	58	53,526	1,825	923
Total	407	- 155		

- 5.7 Based on 2007 data, this change to the methodology for nursery pupils would have provided a modest increase in funding for the two most adversely impacted primary schools (£1,511 and £494). Out of the 25 largest losses in primary schools, twenty would have experienced reduced losses and 5 allocations would have been unchanged due to no nursery pupils. The 10 schools projected to have increased losses as a consequence of the revised nursery pupil methodology are affected as follows:

Original Loss	Nursery Change	Revised Loss
4,353	439	4,792
3,085	678	3,763
3,048	456	3,504
3,020	89	3,109
2,521	87	2,608
1,548	360	1,908
1,528	183	1,711
1,487	108	1,595
1,119	237	1,356
677	780	1,457

6. Transitional Protection

- 6.1 Analysis work based on the Council's payroll data for the 27 primary schools projected to be most adversely impacted by the funding change indicates that these schools employ 94 Teaching Assistants with contracts linked to the continuing presence of a particular child on roll of the school. However individual schools have a wide variety of practice with 7 schools employing no staff on linked contracts and one school employing as many as 13 staff on linked contracts. The two

primary schools projected to lose most funding both employ 9 staff on linked contracts.

- 6.2 It has not been practicable to perform a complete analysis of TA contracts in secondary schools due to the higher take up of external payroll provision. From those secondary schools which do use the council payroll service the highest number of linked contracts identified was 8, at a secondary school projected to lose approximately £28k on full implementation of the change to Predictable Needs funding.
- 6.3 Some of the staff with linked contracts relate to pupils with Exceptional Needs allocations. However some, particularly in the schools with larger numbers of such contracts, relate to pupils with Predictable Needs. HR teams are reviewing their advice to schools in the context of developments in employment legislation, which discourage the use of temporary employment contracts, and of the new SEN funding arrangements. It seems likely that the use of contracts linked to individual pupils will be discouraged in respect of pupils with Predictable Needs. One of the key objectives in introducing the new arrangements was to give support staff more stable employment contracts and encourage the gradual development of greater skills amongst support staff.
- 6.4 It will take some time for the existing staff contracts linked to pupils to work their way through the school system; in the extreme this could be 7 years. Most of the pupils with linked staff are part way through their school years and a few close to the end of their placement in a phase.
- 6.5 The working group had previously indicated that transitional protection should be provided only for the first year of implementation. The key concern relating to an extension of the transitional protection is that it must be accompanied by a continued capping of the gains in those schools for which the data indicates a need for increased funding. Further discussion, including consideration of the numbers of linked contracts, has resulted in the working group endorsing an extension of the transitional protection arrangement.
- 6.6 The government has committed to making available during the autumn term indications of the funding arrangements which will apply from April 2008 to March 2011. Recently the DCSF has announced the process for a review of the arrangements for Dedicated Schools Grant to be effective from April 2011, and confirmed the terms of reference for the review. An extended transitional protection arrangement should therefore aim to be phased out by March 2011 at latest.
- 6.7 One of the key advantages of the new SEN funding system is the allocation of clear sum for predictable needs at the start of the financial year. It is therefore essential that an extended transitional protection arrangement does not erode this advantage, and that it should be simple and predictable over the next three year funding period. It would

be preferable that the protection could be cash values for each of the next three years, announced to the schools as soon as possible. As no commitment can currently be made for periods beyond the next three year funding period, the protection should taper down so that it is fully removed by March 2011. The information accompanying school budget shares for 2007-08 advised that schools should plan for 2008-09 on the basis that transitional protection would be removed in full. Therefore the reduction in protection in 2008-09 can be larger than in subsequent years.

- 6.8 The authority therefore proposes to use the initial transitional protection allocation made in 2007-08 as a base and reduce that value each year as follows:

	Secondary	Primary
2008-09	- £20,000	- £10,000
2009-10	- £10,000	- £6,000
2010-11	- £10,000	- £6,000

- 6.9 The number of schools receiving transitional protection would be as follows:

	Secondary	Primary
2007-08	27	99
2008-09	8	7
2009-10	3	3
2010-11	2	2

The allocations made in 2010-11 would be approximately £3k for each of the two primary schools receiving a protection allocation, and £10 k and £6k respectively for each of the two secondary schools.

7. Capping

- 7.1 In order to fund an extension of transitional protection, it will be necessary to make a corresponding extension to the capping of gains. There is no doubt that this will be controversial, particularly with the secondary school which stands to make the largest gain. As indicated above, the decrease in transitional protection is largest in the first year so that the cap can be also lifted by the largest amount in 2008-09.
- 7.2 As discussed in relation to transitional protection, it is essential that a simple statement of the amount of capping is published to schools as soon as possible, and this should be cash values for each of the three years of the next multi-year funding period.
- 7.3 The authority therefore proposes to use the initial capping deduction made in 2007-08 as a base and reduce that value each year as follows:

	Secondary	Primary
2008-09	- £22,500	- £13,500
2009-10	- £14,000	- £4,500
2010-11	- £14,000	- £4,000

- 7.4 The number of schools with gains limited by the continuation of capping would be:

	Secondary	Primary
2007-08	19	67
2008-09	9	7
2009-10	3	6
2010-11	1	2

The capping deduction made in 2010-11 would be approximately £3k for each of the two primary schools and £17k for the secondary school.

- 7.5 A list of the proposed cash values of transitional protection and capping for individual schools will be made available to members at the meeting but will not be published until any consultation with schools has been completed.

8. Conclusion

- 8.1 The Schools Forum is asked to approve the following proposed changes for consultation with all schools:
- to amend the formula in respect of nursery classes in primary schools to base allocations on pupil numbers and IDACI scores rather than prior attainment and free school meals;
 - to extend the transitional protection arrangement, and associated capping of gains, on a tapering basis over the next three years.