

# Young People's Education and Skills Board

## High Needs Funding Reform

Item no: 8

**Report by:** Yolande Burgess      **Job title:** Strategy Director

**Date:** 16 October 2012

**Contact:** Yolande Burgess

**Telephone:** 020 7934 9739      **Email:** [yolande.burgess@londoncouncils.gov.uk](mailto:yolande.burgess@londoncouncils.gov.uk)

---

### Summary

In March and June the Department for Education published documents setting out a new approach to funding provision for pupils and students with high needs up to the age of 25.

From April 2013 the Dedicated Schools Grant (DSG) will include a High Needs block. It will cover funding for education provision for high needs pupils and students from birth to 25.

The 2013 High Needs block will be based upon the 2012-13 local authority budget statements and the planning and forecast information on high needs students.

This paper explores some of the risks associated with the implementation of the change to high needs student funding.

### Recommendations

To support the implementation of the funding reforms and ensure that specific concerns are being addressed by the DfE the following work strands are proposed:

- London Councils to a) lobby the DfE and EFA to take account of more up-to-date placement information and increased student numbers, and adjust budgets accordingly, and b) in line with the new burdens doctrine, London Councils to lobby for any additional duties on local authorities to be sufficiently funded by central government.
  - the YPES team to continue to work with the DfE established High Needs Pupils and Students Implementation Group to influence and shape new administrative systems, in particular a nationally agreed framework for contracting and payments to reduce bureaucracy, administrative burdens and transaction costs;
  - the Learners with LDD Working Group to provide regular information updates on the impending changes to London local authority colleagues through a bi-monthly bulletin to develop regional consistency in working practice (where appropriate) and begin strategic planning for 2014/15 (e.g. banded funding frameworks, place planning, development of the local offer).
-

## 1 Background

- 1.1 In March and June the Department for Education (DfE) published documents<sup>1</sup> setting out a new approach to funding provision for pupils and students with high needs<sup>2</sup> up to the age of 25.
- 1.2 Local authorities will receive funding for all high needs pupils and students across the Special Educational Needs (SEN) and learning difficulties and disabilities (LDD) sectors in the form of a clearly identified notional High Needs block within the Dedicated Schools Grant (DSG). This will mean that authorities will receive an amount of funding from which they, or mainstream school commissioners in the case of some Alternative Provision, can carry out their statutory duties in relation to high needs pupils and students from birth to 25 years.
- 1.3 The new funding system is based on a 'place-plus' approach (see Appendix A) whereby special schools and units will receive base funding and a 'top-up' provided by the commissioner - usually a local authority - to cover the remaining costs of the place. These top-ups will be negotiated individually between education institutions and commissioners.
- 1.4 One of the key components of a place-plus funding approach will be regular, evidence-based dialogue between providers and commissioners. Under the place-plus approach, providers will be responsible for:
  - delivering the provision for which they have been commissioned for the individual pupils/ students placed in the institution, using their professional expertise and judgement;
  - engaging in dialogue with commissioners in relation to individual pupils/students and being accountable for their progress and achievements, e.g. through annual reviews of progress, and in relation to strategic planning of provision; and
  - contributing to clear and transparent information for young people and their families about the provision they offer for high needs pupils and students.
- 1.5 Commissioners will be responsible for:
  - strategic planning of provision for high needs pupils/students, including through dialogue with other commissioners, providers and the Education Funding Agency (EFA) so as to ensure that funding for specialist provision is in the right place;
  - commissioning and paying top-up funding for the high needs pupils/students for whom they are responsible;
  - engaging in dialogue with providers and ensuring that placements of high needs pupils/students achieve agreed outcomes and make appropriate use of public money;
  - local authorities will also be responsible for passporting base funding equivalent to elements 1 and 2 (see Appendix A) to maintained specialist settings and reviewing allocations.
- 1.6 The scope of these funding changes are considerable; they will impact all local authorities, educational settings from early years<sup>3</sup> to further education and ultimately children and young people with SEN and LDD and their families.

---

<sup>1</sup> [School funding reform: Next steps towards a fairer system](#) DfE March 2012, [School funding reform: Arrangements for 2013-14](#) DfE June 2012.

<sup>2</sup> DfE has defined a threshold between needs that it expects to be met through mainstream funding and those where additional funding is required and has set this threshold at around £10,000 of education provision per year. The Department has deliberately defined high needs with regard to a financial threshold, as opposed to an assessment-based threshold, to avoid creating a potential pressure for additional statutory assessments.

- 1.7 The ability to commission directly is fundamental to a person-centred approach for planning support to increase personal self-determination and improve lifelong independence. From a long-term impact perspective this change in funding is welcomed and, for post-16 education, over-due when considering local authority statutory responsibilities. However, the implementation of these changes raises a number of significant concerns that needs to be urgently addressed.

## 2 Summary of Funding Issues

- 2.1 **Potential funding shortfall:** Authorities have provided details of high needs students to the EFA for the current academic year and forecasts for 2013/14 and have received notional baseline budgets that include a number of top slices and adjustments. There is a lack of clarity from DfE on how adjustments have been made, and it has also been made clear that regardless of forecast increases in pupil/student numbers, baseline budgets will not increase.
- 2.2 The High Needs block will bring together a considerable array of current budget lines and, as with the introduction of the Early Intervention Grant, any lack of clarity on how the new budget will be derived gives cause for concern.
- 2.3 **Potential budget shortfall for high needs students in further education settings:** From April 2013 the budget for post-16 students will transfer from the EFA to local authorities. DfE is proposing that funding for the High Needs block for students aged between 16 and 25 years for 2013-14 will be based on 2010-11 placements information. This will not reflect the current funding position for young people and may produce substantial gaps in funding. If the full expenditure is not added to the High Needs block, funds would need to be diverted from the schools block of the DSG to fund post-16 students with LDD.
- 2.4 It is not clear whether the budget will be revised in the light of the up-to-date placement information and this therefore remains a significant cause for concern.
- 2.5 **Managing 'top-up' funding:** At present local authorities use an annual system of 'recoupment' to pay for out-of-borough special school places to other local authorities. Under the new system local authorities will have to enter into financial arrangements with each school where pupils are placed. Similarly, each school will need to deal with all commissioning local authorities individually.
- 2.6 Some further education institutions, particularly Independent Specialist Providers, are more familiar with managing a multiple commissioner system, but this system will be new to schools and the majority of general further education colleges.
- 2.7 There are concerns that the existing system is being replaced by one that will be much more complex and burdensome, potentially driving placement costs up. There is also a risk that placement decisions for children and young people may be delayed as organisations manage new ways of working.
- 2.8 **High needs students in mainstream settings:** Schools and colleges will be expected to meet the first £6,000 of support for high needs pupils/students from their allocated learner support funding. There are considerable long-term benefits to ensuring schools and colleges are clear about the support they will provide for their pupils/students with high needs, including increased parental confidence and thus removing perverse incentives for unnecessary statements of SEN/Learning Difficulty Assessments.
- 2.9 In the short-term however, schools and colleges may view this as a financial disincentive to admit pupils/students with high needs. They may have genuine concerns that a small number of students could disproportionately impact the learner

---

<sup>3</sup> Relatively few changes are being made to the Early Years Single Funding Formula, introduced in 2011-12.

support budget, and therefore the support arrangements that can be put in place for pupils will lower level needs.

### **3 Wider reforms to SEN and LDD**

3.1 These funding changes will be implemented in an environment that will change considerably over the next eighteen months and need to be considered in the light of these broader reforms for:

- a single statutory assessment process;
- the Education, Health and Care Plan;
- the local offer;
- joint commissioning;
- personal budgets;
- extending statutory rights attached to statements to further education;
- replacing the categories of School Action and School Action Plus.

### **4 Current activity**

4.1 The Association of Directors of Children's Services has set out its concerns in a note to Edward Timpson, Parliamentary Under Secretary of State for children and families. The note also sets out a number of changes that may help to make the system more manageable:

- an assurance that the budget transferred to local authorities for high needs students in FE colleges and ISPs matches projected demand;
- an extended Tribunals framework covering post-19 LDD pupils which does not impose unrealistic and unfunded burdens on local authorities in the current financial climate;
- prompt clarification of the mechanism for making adjustments in the High Needs block to account for pupils from other boroughs;
- prompt clarification of the mechanism for funding growth in special schools where this expansion will be for pupils from other boroughs; and
- further consideration by DfE of the practical arrangements for recoupment payments, with the preferred option that invoicing should be termly rather than monthly and that this should be made part of the guidance, rather than subject to local negotiation. This would avoid an unnecessary and potentially unworkable level of bureaucracy and maintain consistency across authorities.

### **5 Recommendations**

5.1 To support the implementation of the funding reforms and ensure that the above noted concerns are being addressed by the DfE the following work strands are proposed:

- London Councils to a) lobby the DfE and EFA to take account of more up-to-date placement information and increased student numbers, and adjust budgets accordingly, and b) in line with the new burdens doctrine, London Councils to lobby for any additional duties on local authorities to be sufficiently funded by central government.

- the YPES team to continue to work with the DfE established High Needs Pupils and Students Implementation Group<sup>4</sup> to influence and shape new administrative systems, in particular a nationally agreed framework for contracting and payments to reduce bureaucracy, administrative burdens and transaction costs;
- the Learners with LDD Working Group to provide regular information updates on the impending changes to London local authority colleagues through a bi-monthly bulletin to develop regional consistency in working practice (where appropriate) and begin strategic planning for 2014/15 (e.g. banded funding frameworks, place planning, development of the local offer).

---

<sup>4</sup> Membership of the group includes officials from DfE and EFA and officers from the local government sector: Donald Rae LGA, Jeannette Essex Solihull Council, Liz Hobson LGA, Yolande Burgess London Councils, Sarah Harty Wandsworth Council and ADCS, Sally Burlington LGA.

	Pre-16 SEN and AP		Post-16 SEN and LDD
	Mainstream settings	Specialist settings	All settings
Element 1: Core education funding	Mainstream per-pupil funding (AWPU)	Base funding of £10,000 for SEN (and £8,000 for Alternative Provision) placements, which is roughly equivalent to the level up to which a mainstream provider would have contributed to the additional support provision of a high needs pupil. Base funding is provided on the basis of planned places	Mainstream per-student funding (as calculated by the national 16-19 funding system)
Element 2: Additional support funding	Contribution of £6,000 to additional support required by a pupil with high needs from the notional SEN budget		Contribution of £6,000 to additional support required by a student with high needs
Element 3: Top-up funding	“Top-up” funding from the commissioner to meet the needs of each pupil or student placed in the institution		