

<b>MEETING:</b>	<b>SCHOOLS FORUM</b>
<b>DATE:</b>	<b>10 JUNE 2011</b>
<b>TITLE OF REPORT:</b>	<b>REVIEW OF SEN FUNDING</b>
<b>REPORT BY:</b>	<b>Head of Additional Needs</b>

**CLASSIFICATION:** Open

## **Wards Affected**

County-wide

## **Purpose**

To highlight the growth in the SEN budgets to the Schools Forum.

To present a series of options for the funding of SEN pupils in mainstream schools from which a number can be selected to be taken forward for full consultation with a view to continuing to meet pupil needs enabling schools to better manage their resources and reducing the pressure on DSG.

## **Recommendation**

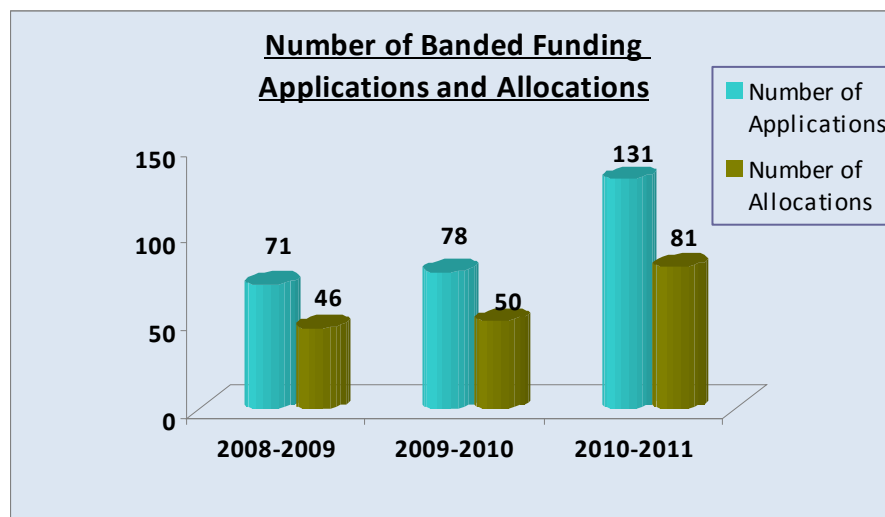
**THAT Schools Forum:**

- (a) selects one or more of the options presented for detailed and full consultation including option 1 for secondary schools and option 2 for primary schools.**
- (b) notes the growth in the expenditure on special school places and considers whether further action is appropriate.**
- (c) notes the action being taken to address the growth in the Complex Needs Solutions budget.**

## **Key Points Summary**

- The cost of providing for pupils with SEN has risen from £4.3m in 2000/1 to £7.9m in 2010/11. This represents an 85% real terms increase (after inflation adjustments) in a 10 year period. In 2000/1, 3.4% of the overall education budget was SEN expenditure. In 2010/11, this has grown to 5.0%. There are a number of contributory factors to these increases.
- Any increases in the amount of funding for SEN is top-sliced from DSG. This means that the general formula allocations to schools are reduced accordingly to meet the rising SEN costs. If the option to maintain the current system is chosen (option 4), it is important that the Forum recognises the consequences of doing so.

- The number of requests for Band 3 and Band 4 funding without statements has grown dramatically. There is no indication at the present time that the number of requests is likely to reduce. The numbers of Band 3 and 4 awards written into statements through the statutory assessment process has also increased significantly.



There has been a 67.9% increase in the number of applications in 2010-2011 over the same period in 2009-2010 whilst the number of allocations during this period has risen by 62%.

- Taken together, the increase in expenditure on banded funding (or the historical equivalent) has increased from £2.3m in 2000/1 to £3.4m in 2010/11. –( Adjusted for inflation)
- Unlike most other LAs that use a banding mechanism, Herefordshire offers the full amount of funding, i.e. it includes the Band 1 and 2 amounts in addition to the Band 3 or Band 4 amount. In other areas this is simply the top-up amount with the Band 1 and 2 amounts being already delegated. This increases the perverse incentive to apply for funding.
- The present system of distributing SEN funding to schools via the banded funding mechanism does not always command the confidence of a range of stakeholders.
- There has been a growth in the expenditure and number of places required for pupils attending special schools which again places additional pressure on DSG. The budget has increased from £1.5m in 2000 to £3.0m in 2011(adjusted for inflation).
- There has been a significant increase in the expenditure on the DSG contribution to the Complex Needs Solutions Panel rising from £500k in 2000/1 to nearly £1.5m in 2010/11 (Adjusted for inflation). This increase only represents 3/7<sup>th</sup> of the actual increase with the other contributions coming from other budgets.

## Alternative Options (for delegating funding to mainstream schools)

1. Each of the following options could be selected for detailed modelling and full consultation. It is possible to separate primary school funding from secondary or to apply different models to different sizes of school.

### Option 1 - Delegate all of the banded funding to schools via the same formula as is currently

## **used for Bands 1 and 2**

### Advantages:

- (i) Transparency – all schools can see what others are receiving from the start*
- (ii) Removes the bureaucracy of the application process and the need for a panel*
- (iii) Removes the need to use specialist services to verify levels of need*
- (iv) Limits the growth of the banded funding total to a pre-determined level*
- (v) Decision-making is as close to the pupil as possible which makes its use highly flexible if pupil needs change*
- (vi) Removes any perverse incentive to apply for funding*

### Disadvantages:

- (i) There is a risk factor for small schools if pupils with higher levels of need arrive.*
- (ii) It is formula driven and so is a proxy measure of need rather than reflecting actual need*
- (iii) Removes the ‘external view’ to verify the level of resourcing for each pupil. The accuracy of the matching of need to resource depends upon the level of SEN knowledge within the school.*
- (iv) Budgetary pressures in a school might mean that delegated funding for SEN is diverted to cover general staffing or other pressures. Accountability for delegated SEN funding is more difficult than where it is attributed for use with individual pupils.*
- (v) Might result in greater pressure for statements*

## **Option 2 - Delegate all funding except a small top up amount for Band 4**

### Advantages:

- (i) Provides some limited protection for small schools in relation to the most complex pupils*
- (ii) Reasonably Transparent – all schools can see what the majority of others are receiving from the start and there would be a single banded funding boundary at a very high threshold for each type of need.*
- (ii) Removes much of the bureaucracy of the application process*
- (iii) Removes the need to use specialist services to verify levels of need because children of this level of need should already be well known to services*
- (iv) Considerably reduces the capacity for growth of banded funding total as most applications are for Band 3 at present*
- (v) Most decision Decision-making is as close to the pupil as possible which makes its use highly flexible if pupil needs change*

*(vi) Reflects most closely the system that many other LAs use*

*Disadvantages:*

*(i) There is still a need for a panel but for fewer cases.*

*(ii) It is largely formula driven and so is a proxy measure of need rather than reflecting actual need*

*(iii) Removes the 'external view' to verify the level of resourcing for each pupil except for a very few pupils. The accuracy of the meeting need with the correct level of resource for most pupils depends upon the level of SEN knowledge within the school.*

*(iv) Budgetary pressures in a school might mean that delegated funding for SEN is diverted to cover general staffing or other pressures. Accountability for delegated SEN funding is more difficult than where it is attributed for use with individual pupils.*

*(v) Might result in more applications than previously for Band 4 once band 3 is removed. It may introduce a degree of perverse incentive.*

**Option 3 - Delegate all of the funding for Band 3 but leave the full amount for Band 4.**

*Advantages:*

*(i) Provides greater protection for small schools in relation to the most complex pupils*

*(ii) Reasonably Transparent – all schools can see what the majority of what others are receiving from the start and there would be a single banded funding boundary at a high threshold for each type of need.*

*(ii) Removes much of the bureaucracy of the application process*

*(iii) Removes the need to use specialist services to verify levels of need because children of this level of need should already be well known to services*

*(iv) Reduces much of the capacity for growth of banded funding total*

*(v) Most decision Decision-making is as close to the pupil as possible which makes its use highly flexible if pupil needs change*

*Disadvantages:*

*(i) There is still a need for a panel.*

*(ii) It is largely formula driven and so is a proxy measure of need rather than reflecting actual need*

*(iii) Removes the 'external view' to verify the level of resourcing for each pupil except for a very few pupils. The accuracy of the meeting need with the correct level of resource for most pupils depends upon the level of SEN knowledge within the school.*

*(iv) Budgetary pressures in a school might mean that delegated funding for SEN is diverted to cover general staffing or other pressures. Accountability for delegated SEN funding is more difficult than where it is attributed for use with individual pupils.*

*(v) Might result in more applications than previously for Band 4 once band 3 is removed. It*

*introduces a greater perverse incentive because it offers the full amount, not just a top-up*

#### **Option 4 - Leave the present system of Banded Funding in place.**

##### Advantages:

- (i) There is a considerable support for small schools if they have pupils with higher levels of need.*
- (ii) It reflects actual need on an individual basis for moderate and complex needs*
- (iv) Budgetary pressures in a school have a lesser impact on Band 3 and 4 pupils.*
- (v) Pressure for statements has been reduced by the knowledge that there is a specified level of funding.*

##### Disadvantages:

- (i) Transparency – Schools cannot see how many applications other schools are making.*
- (ii) Requires the bureaucracy of the application process and the need for a panel*
- (iii) Requires the use of considerable and growing resource in the form of specialist services to confirm the school view of the level of need*
- (iv) Allows unlimited growth of banded funding total putting great pressure on the DSG budget*
- (v) Decision-making is at LA level where the pupil is not known*
- (vi) Provides a clear perverse incentive to apply for funding*

#### **Option 5 - Leave the present system of Banded Funding in place but limit the number of allocations for each band or limit the total budget and change to a top up approach as highlighted used in most other authorities**

*Advantages and disadvantages as for 4. except:*

Advantage over 4.- *It would be possible to cap the total amount each month or each year and hence budget for this accurately.*

Disadvantage compared to Option 4. – *It would create a waiting list situation with pupils having to wait until the start of the new month or year for funding to become available.*

#### **Option 6 - Leave the present system of Banded Funding in place but reduce the value of allocations for each band**

*Advantages and disadvantages as for 4. except:*

Advantage over Option 4.- *It would be possible to seek to predict the percentage increase in allocations using the trend information from the previous years and then to reduce the value of each allocation by the same percentage. This should ensure that the budget does not to overspend (assuming the predictions of growth are accurate).*

Disadvantage compared to Option 4. – *The current value of the awards was based upon an*

*amount of support linked to need, i.e. Band 4 gave full-time support due to the high level of need. If the value of the Band 4 allocation was reduced, it would not be possible to provide the same level of support unless there was also an additional contribution from the school.*

## Reasons for Recommendations

2 The reasons for recommending the options on page 1 of this report are:

- The continuing increase in the number and total cost of the banded funding allocations can only be sustained at the expense of the rest of the schools. The SEN proportion of the overall education budget is already out of step with other local areas. The evidence for this is given in Appendix A. In addition, the current system does not meet the principle of giving schools the greatest delegated resource possible to enable need to be met as early as possible. For these reasons, the status quo (option 4) is not considered a viable option.
- It is felt that secondary schools have sufficiently large budgets to be able absorb the costs associated with the variability in the number of pupils with moderately complex needs. The fully delegated option (Option 1) therefore has the advantages outweighing the disadvantages for the secondary schools.
- For the smaller primary schools, there is a risk that one or more pupils with high levels of need could put an unacceptable pressure on the budget. However, it is felt that it should only be those pupils with the highest level of need (Band 4) rather than the relatively high number now being identified at Band 3. It is also felt that this should only be the 'top-up' funding above the Level 3. Using this as the cut-off is much more in keeping with other local areas and for those LAs, there has not been the same level of budget pressure as in Herefordshire. Having fewer requests (i.e., only the Band 4) coming forward would limit the requirements for decision-making by the banded funding panel, as well as the need to send in evidenced requests by schools. For all of these reasons, it is recommended that Option 2 is taken forward.
- Head teachers of Herefordshire's special schools had previously expressed concern about the admission pattern of pupils to their schools and the ability of the funding system to respond to this. This was raised in a previous paper to Schools Forum (May 2010). Having looked at possible changes to the funding of special schools, the decision was taken to maintain the current system with some minor amendment of the timing of the allocation to schools. This change did not have any budget implication.
- There has been an increase in the number of children requiring special school places. The number of places has increased from 180 in 2005 to 220 in 2010 (a 22% increase in 6 years). It should be noted that the criteria for entry to our special schools have not changed over this period and that the overall background population has actually decreased. Some of this increase is thought to be related to better survival rates for premature or severely disabled children, along with increases in the incidence of foetal alcohol syndrome. National research has shown an increase in these types of complex need but not at a level to fully account for the growth in the Herefordshire special school population. This growth in pupil numbers is also providing a significant additional budget pressure. It is recommended that we monitor the special school population to determine the reasons for any increase in numbers. It is difficult to take action until the reasons are fully understood.
- The expenditure through the Complex Needs Solutions panel is predominantly made up of high cost out of county placements. Although the increase in the number of children and young people placed is small, the average annual cost of the placements is approximately £160k per year for the duration of the placement. In recognition of the urgency of addressing

the growth in the expenditure in this area, a specific project has been established by the Women, Children and Families Commissioning Board of the Herefordshire Public Services.

## **Introduction and Background**

- 3 The information on Banded funding, delegation and Special School funding given in the Schools Forum Paper from May 2010 remains relevant. Appendix A of this paper gives the updated position.

## **Key Considerations**

- 4 The information given in the May 2010 Schools Forum paper remains relevant. Any SEN funding system needs to meet the criteria that are described in Appendix C of the May 2010 paper (also attached as Appendix B of this paper). Any changes made to the SEN funding system need to be seen to be an improvement as measured against those criteria. Accountability remains a key issue in relation to funding for SEN. This is particularly the case in relation to funding delegated via a formula.

## **Community Impact**

- 5 A number of geographical clusters are working together with funding delegated for Learning and Behaviour support. The development of an extended pooled system of resource sharing for SEN in a given area should be explored further in order to minimise the variability in the level of need in individual schools. The LA SEN and Equalities Adviser is exploring the possibilities for clusters of schools that would like to explore this option.

## **Financial Implications**

- 6 The intention would be to provide a funding system that is cost-neutral, that would remove any perverse incentives, would increase flexibility for schools and groups of schools and would therefore contain costs unless there was clear evidence of changes in the pattern of need that would demand changes in funding.

## **Legal Implications**

- 7 Any changes to the SEN funding system need to be within the current regulations relating to Local financial management.

## **Risk Management**

- 8 There is a risk that any revision to the current system will have further unintended consequences that distort the system. This can be mitigated by ensuring that the monitoring systems are responsive to trends and that action can be taken to adjust the system.
- 9 There is an additional risk of 'turbulence' in the system caused by changes to the funding system. The level of risk will depend upon which of the options are selected. If, once the financial modelling of the selected options has been carried out, there is found to be a significant risk of turbulence, transitional arrangements can be put in place. Advice will be sought from the Schools Finance Manager at the appropriate stage.
- 10 The risk of not preparing options to review the system is that the system might be undermined by a lack of confidence in it and that the costs for SEN might continue to rise in a way that is

out of proportion to the budget available for all children. Given the growth in the numbers of children with banded funding on statements, this risk can partly be mitigated by improving the monitoring of the Annual Review of Statement in order to ensure that those in receipt of Band 3 and 4 funding continue to have that level of need.

## **Consultees**

Inclusion Partnership Co-ordinators

Herefordshire Carers Group

Relevant LA Officers

A sample of Herefordshire's Headteachers

## **Appendices**

Appendix A - A Summary of SEN Funding Trends 2011

Appendix B - Principles for AEN/SEN Funding (From Marsh; 2004)

## **Background Papers**

- Resourcing Additional and Special Educational Needs in Wales (Marsh; 2004)
- The Management of SEN Expenditure (DfES; 2004)
- SEN Expenditure Trends Report by Managers of SEN and Finance (Herefordshire Schools Forum 10th October 2007)
- Proposal to review SEN/AEN funding (Herefordshire Schools Forum 17th May 2010)