

Review of national funding formula allocations of high needs funding to local authorities: changes for 2022/23

Response of the Association of School and College Leaders

A. Introduction

- 1 The Association of School and College Leaders (ASCL) represents over 21,000 education system leaders, heads, principals, deputies, vice-principals, assistant heads, business managers and other senior staff of state-funded and independent schools and colleges throughout the UK. ASCL members are responsible for the education of more than four million young people in more than 90 per cent of the secondary and tertiary phases, and in an increasing proportion of the primary phase. This places the association in a strong position to consider this issue from the viewpoint of the leaders of schools and colleges of all types.
- 2 In 2014, the government introduced significant reforms to the way in which children and young people with SEND are identified and supported.
- 3 A significant issue is the ongoing rise in children and young people with SEND and Education, Health and Care Plans (EHCPs). In 2019/20 there were 275,604 children and young people with an EHCP¹. This is an increase of over 21,000 on the previous year (or >8%).
- 4 There is a combination of factors which are contributing to these rising numbers. These include population growth, advances in medicine which mean that children born prematurely or with disabilities survive and live longer than before, increased diagnosis of some conditions, increasing levels of poverty, and the extension of services for children and young people with SEND up until the age of 25.
- 5 In their 2019 inquiry² the Education Select Committee concluded that, while the reforms to the support for children and young people contained in the Children and Families Act 2014 were the right ones, poor implementation has put local authorities under pressure, left schools struggling to cope and ultimately thrown families into crisis.
- 6 The government's own figures indicate that in 2019/20, despite additional significant sums being allocated to the DSG, high needs block deficits across England total around £600 million.³

¹ <https://explore-education-statistics.service.gov.uk/find-statistics/special-educational-needs-in-england#releaseHeadlines-tables>

² <https://committees.parliament.uk/committee/203/education-committee/news/114698/special-educational-needs-and-disabilities-send-education-committee-publishes-government-response-to-report/>

³ [LA and school expenditure, Financial Year 2019-20 – Explore education statistics – GOV.UK \(explore-education-statistics.service.gov.uk\)](https://explore-education-statistics.service.gov.uk)

- 7 We therefore welcome the review of the high need block funding formula. We acknowledge that this first stage of review has relatively narrow scope, given the funding years that these proposals are intended to impact. However, our responses to your specific questions are also given in the context of a fuller review with broader reach, that we hope will follow.

B. Response to specific questions

Q1: Do you agree that we should replace the current lump sum included in the formula calculation with an amount calculated on the basis of actual local authority expenditure, as reported by each local authority?

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|---------------|
| Agree |
| Disagree |
| Unsure |

- 8 Historically the spending patterns of local authorities have been shaped by the funding available to them. This indicates that use of the historic spend lump sum is not a reliable proxy for need. In that context it is very difficult to say whether a move to use the actual spend in 2017/18 will bring available funding closer to or further away from the level of expenditure required to meet need in the funding year 2022/23.
- 9 We understand that there was a need to protect existing programmes of support when the high needs formula methodology was first introduced in 2018/19. However, our view is that we should be pursuing assimilation to a methodology that is more responsive to current need. Historic spend data used in the formula is, at best, out of date and cannot meet the government's desire to deliver equity for children and young people across the country, regardless of where they live.

Q2: Do you think that we should increase the percentage of actual expenditure in 2017-18 included in the funding formula calculation, or leave it at 50%?

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|--------------------------------|
| Increase the percentage |
| Keep the percentage at 50% |
| Decrease the percentage |
| Unsure or other |

- 10 We do not think that historic spend is a reliable proxy, particularly as the data used to support the factor ages (current data is 2017/18). Equally we do not think that historic spend data should be updated and used going forward because of the risk of perverse incentives around the inflation of spending plans to secure higher levels of funding in the future. We think this factor should be phased out.
- 11 In their report 'Have we reached the tipping point', the LGA / Isos point out that, alongside legislative change, population growth has had an impact on the demand for SEND provision. Evidence indicates that population growth is not uniform across England and therefore some local areas have seen greater increases in population than others. This inevitably creates greater inequity in a distribution formula that is weighted significantly to historic spend and not factors more able to respond to current need, such as population factor.

- 12 If there are concerns about the formula sustaining a compromise between stability and reflecting current need, we would suggest that the historic spend lump sum is allowed to reduce over time as a proportion of the total allocation. We would expect that in this scenario the funding floor factor would continue to protect individual LA allocations. All new funding would continue to be allocated towards the more responsive factors available within the formula, which should reflect current need.

Q3: To what extent do you agree that the funding formula should include factors that reflect historical local demand for and supply of SEND and AP provision?

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|----------------------------|
| Strongly agree |
| Agree |
| Neither agree nor disagree |
| Disagree |
| Strongly disagree |

- 13 High needs funding should be allocated on a formula basis that correlates to local need. This means that that factors must be agile and responsive rather than historic.
- 14 The inequity of the current distribution methodology is exacerbated by ambiguity and legacy underfunding.
- 15 It is ambiguous because, while the DSG is ringfenced, the blocks within it are not, and local flexibility means that the high needs block continues to be supported by the schools block. Despite this in 2019/20 the national high needs block deficit had risen to just below £600 million.
- 16 Legacy underfunding and inconsistency (across England) of provision, both in terms of the cost model and programmes of support, mean that it can be difficult to know what works well and represents value for money. The use of factors that reflect historical spend will bake in this inequity.
- 17 More work needs to be done to develop a system of benchmarks that can be used to determine responsive proxies and inform an equitable distribution formula. We are optimistic that the current SEND review will be helpful on this issue.

Q4: Do you agree with our proposal to update the low attainment factors using data from 2016, and to substitute the most recent 2019 data in place of the missing 2020 attainment data?

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|--------------------------------------------------------------------------|
| Agree |
| Disagree – calculate in the same way as last year |
| Disagree – other (please provide further details in the comments) |
| Unsure |

- 18 We think it is right to use a rolling average as this approach will smooth out the impact of uncharacteristic spikes or dips in performance and emphasise longer term trends. However, we think that to double the weighting of one year in the series will be counterproductive. It is possible that 2019 could be a year when performance spiked or dipped uncharacteristically.
- 19 We think that the formula should consider using a four-year average (2016-19) for distribution in 2022/23 and 2023/24.

- 20 However, we also think that the formula should use the most recent data available. To offset the compromise we are suggesting above, the DfE could consider reducing the weighting that this factor currently carries (around 7.5%) and apply additional weighting to the population factor.

Q5: SEND and AP proxies. If you wish to offer ideas on factors that could be added to the current formula, or that could replace the current proxies, please provide further details in the comments box below.

- 21 Without the availability of modelling to indicate the influence of adding and/or replacing proxies on the national distribution, it is extremely difficult to make recommendations. However, we would ask that the Department considers the impact of the following proxies and in particular their agility in terms of potential to make the formula more responsive to current, local need.
- 22 We think the population proxy should reflect the age range supported by the funding pot. Although the remit of the high needs block has been expanded to include provision of support for children and young people aged 0-25, the population data used has not. The current formula uses population data for 2-18 year olds.
- 23 We think consideration should be given to increasing the weighting given to the population factor in the formula. Evidence indicates that demographic trend is a good indicator of demand for SEND support. In that regard, an increase in the pupil population will be reflected in an increase in demand for SEND support.
- 24 We think that the child poverty index should be considered for use as a proxy. Isos research for the DfE on developing a high needs funding formula ('Research on funding for young people with special educational needs, 2015') showed that there is very strong correlation between levels of deprivation in a local area and levels of SEND. The Institute of Fiscal Studies report 'Living standards, poverty and inequality in the UK: 2017-18 to 2021-22' projected that absolute child poverty is expected to increase between 2015-16 and 2021-22 by 4.1%.
- 25 The experience of ASCL members suggests that paucity of funding has led to a reduction in early intervention strategies being put in place, and a propensity to view the EHCP as a route to funding. We think effort should be made to reverse these trends.
- 26 We think that DfE should consider using premature birth data. Evidence shows that advances in medical science have resulted in children with life-limiting conditions having a longer life expectancy. In addition, the survival rate of premature babies has increased, which often leads to developmental complications.

Q6: Please provide any information that you consider we should take into account in assessing the equalities impact of the proposals for change.

- 27 Our comments here relate to high needs funding, but refer more broadly to future policy changes that are in development. These include implications for the flexibilities currently available to LAs to move money between blocks of the DSG to meet need. We are including this here because we believe that the risk of inequality should be considered at every opportunity.

- 28 The DSG has been ringfenced, but the blocks were not, and until recently LAs were able to add to the DSG if they felt it necessary. However, the introduction of a hard national funding formula will stop around 80% of the DSG being used for anything other than mainstream schools. With LAs no longer allowed to add to the high needs block, the implication is that the high needs block is all that is available for high needs pupils.
- 29 Legislation binds schools and LAs to deliver the provisions set out in EHCPs. While we understand the need not to create perverse incentives by levels of high needs funding being linked to numbers of EHCPs, some solution must be found to ensure schools and LAs do have enough funding to meet statutory needs. This is a complex problem to solve and will require consideration of diverse options such as
- increased funding for early interventions so an EHCP is no longer seen as a 'gatekeeper' for support
 - EHCPs setting out outcomes, not provisions, to give schools and LAs flexibility on delivery
 - increasing the availability of high quality, local grant-funded provision and therefore reducing the required spend on expensive independent SEN provision
- 30 To that end the high needs block needs to be sufficient for all the requirements that are placed on it through SEND legislation. The government needs to ensure that there will be no disability discrimination as an unintended consequence of the actions they are currently taking or will shortly take, and that the amount that LAs receive is sufficient.

C. Conclusion

- 31 We hope that this response is of value to the consultation. ASCL is willing to be further consulted and to assist in any way that it can.

*Julia Harnden, Funding Specialist
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