

Date of meeting:	15 th March 2018
Title of report:	NOTIONAL SEN AND EXCEPTIONAL E2 FUNDING
Type of report: Delete as required	For discussion
Executive summary: Including reason for submission	To outline the position in relation to Notional SEN funding including the current North Yorkshire funding methodology. The proposal includes a number of transitional funding arrangements.
Budget / Risk implications:	If Option 1 is selected, full-year saving of approximately £830k. If Option 2 is selected, an initial saving of £386k of the E2 Exceptional Funding contingency. Transitional protection to be provided to schools depending on preferred option.
Recommendations:	For HN Funding Sub-Group Members to comment on the preferred option
Voting requirements:	None
Appendices: To be attached	Appendix A: LA Benchmarking
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1.0 PURPOSE OF THE REPORT

- 1.1 To outline the position on Notional SEN funding as a result of the introduction of the National Funding Formula.
- 1.2 To outline the current North Yorkshire funding methodology for E2 Exceptional financial support and to identify options for transitional funding.

2.0 BACKGROUND

- 2.1 Funding for notional special educational needs (notional SEN) is not a separate formula factor. Rather, local authorities must specify how much of the Schools Block funding a school receives through the formula that constitutes its notional SEN budget. The local authority specifies what percentage of funding allocated through each factor contributes to the notional SEN budget. The ESFA requires that local authorities must ensure schools and academies have sufficient funding in their delegated budget to enable them to support pupils' SEND where required up to the mandatory cost threshold of £6,000 per pupil. Local authorities identify a notional SEN budget for this purpose. Schools and academies, however, should regard this neither as a substitute for their own budget planning and decisions about how much they need to spend on SEND support, nor as a fixed budget sum for spending.
- 2.2 For 2017/18, 125 (82%) local authorities are allocating between 5% and 15% of Schools Block funding as notional SEN. The overall percentage of formula allocation which is designated as the notional SEN budget across all local authorities is 10%; this is consistent with previous years. The median notional SEN allocation is 8.8%.
- 2.3 In 2017/18, North Yorkshire's total funding for Schools Block formula (excluding MFG) amounted to £324,630,597. Of this, North Yorkshire allocated 3.49% as notional SEN funding amounting to £11,316,085. North Yorkshire's percentage allocation for 2017/18 was the 4th lowest out of a total of 152 local authorities.
- 2.4 Following the introduction of the National Funding Formula in 2018/19, the overall amounts in respect of the factors used in the calculation of the Notional SEN have increased. The 2018/19 percentage allocation is now more in line with other Local Authorities at 8.68%. Although this will not have any effect on a school's delegated budget, there will be the expectation that a school will contribute more from its delegated budget towards the cost of pupils with SEN before accessing Exceptional E2 funding. This gives rise to a 'natural' saving to the £965k Exceptional E2 contingency.

TARGETED SUPPORT

- 2.5 The ESFA required that local authorities provide additional funding outside the main funding formula for mainstream schools and academies on a consistent and fair basis where the number of their high needs pupils cannot be reflected adequately in their formula funding and where it would be unreasonable to expect them to pay for the costs of the first £6,000 of additional support for all high needs pupils. They should define the circumstances in which additional funding will be provided from their high needs budget.

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- 2.6 Targeted support can also be provided where there are a disproportionate number of pupils with a type of SEN that is not able to be reflected in the local formula, even where the costs of meeting their needs are less than the £6,000 threshold. For example, a primary school may have developed a reputation for meeting the needs of high achieving pupils with autistic spectrum disorder, or pupils with physical disabilities, and it is not possible to target additional funding to the school through the prior attainment or other factors in the local formula.
- 2.7 Criteria for allocating such support should be clear and as simple as possible, should apply to a minority of the authority's schools and academies (the formula should address the majority) and should avoid creating perverse incentives.

CURRENT NORTH YORKSHIRE METHODOLOGY

- 2.8 The current arrangements were established several years ago and were an area identified for review prior to the known impact of the National Funding Formula on Notional SEN funding arrangements. The amount of Element 2 funding a school currently receives is based on;
- The actual number of pupils attending the school with an Education, Health and Care Plan (EHCP) including children from other local authorities;
 - The number of pupils that a school should be able to meet the first £6,000 of additional and different support for =
$$\frac{\text{The Notional SEN Budget for the school} \times 60\%}{£6,000}$$
 - NYCC currently provide SEN Exceptional E2 Funding at £5,000 per FTE where the number of pupils with an EHCP is greater than the notional numbers that could be supported out of the 60% of the Element 2 funding.
- 2.9 This complex formula is not based on national criteria and is not as clear and simple as it perhaps could be. Indeed, if the local authority adopts a position of 'no change' and continues to use the same methodology as in previous years, very few schools would receive any Exceptional E2 funding support as a result of the increase in the Notional SEN budgets.

3.0 PROPOSAL

- 3.1 A couple of options have been identified to address the funding changes:

Option 1 - continue with the current methodology. As a result of the increased Notional SEN budget, the anticipated cost for 2018/19 would be £74k with only 18 schools expected to receive any allocation. Approximate full-year savings would be £890k.

Options 2 – reduce the contingency by £386k (approximately 40%) but also provide a level of transitional funding for the Summer term based on the 2017/18 Element 2 allocation. This will provide an opportunity to model other methodologies including reviewing how other local authorities allocate Exceptional E2 funding, in order to develop a revised North Yorkshire criteria. Two methodologies have been proposed for this transitional funding.

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Transitional Funding Option 2a: - use the full year 2017/18 Notional SEN data and look at 2018/19 current EHCP pupils, taking account of summer term leavers. This full-year allocation as at April 2018 will be prorated for four months and then funded at 80%, 70% or 60%.

Transitional Funding Option 2b: - use four months of 2017/18 Notional SEN data and look at 2018/19 current EHCP pupils for the period April to July 2018. This will be funded at 80%, 70% or 60%.

For both methods, the allocation will be fixed at the start of the financial year and will not be adjusted for further movement of EHCP pupils between April and July 2018.

- 3.2 For Options 2a and 2b, the anticipated costs arising from each transitional funding methodology is outlined in Table 1.

Table 1: Transitional Funding Amounts April-July 2018

	Exceptional E2 Funding	4 months 100%	80%	70%	60%
Option 1	74,000				
Option 2a	-	321,823	257,459	225,276	193,094
Option 2b	-	457,764	366,211	320,434	274,258

- 3.3 Given the scale of the financial pressure in the High Needs Block, it is envisaged that a saving will be achieved from the E2 Exceptional Funding. The requirement to review the criteria for 2018/19 (given that otherwise most schools will receive very little or no E2 Exceptional financial support) means that the exceptional support could become more targeted taking into a range of other criteria (for example, financial health of the school, mobility factors, inclusive ethos etc). Given that the transitional funding will only apply to the period April-July 2018, it is proposed that further work is undertaken on alternative criteria and level of saving with proposals to be brought back to the High Needs Funding Sub-Group in May 2018. Examples of other local authority's funding criteria are provided at **Appendix A**.

4.0 RECOMMENDATIONS

- 4.1 The North Yorkshire Education Partnership is asked to note the position on Notional SEN and comment on the preferred option outlined in section 3.

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Appendix A: LA Benchmarking on E2 Exceptional Funding**Targeted support above the notional SEN budget****Cheshire West and Chester**

Additional funding from the High Needs Budget will be distributed under the following criteria. A school's notional SEN budget must be sufficient to meet the first £6,000 of the cost of additional support for each high needs pupil on roll recognising any part year effect of starters and leavers. For schools up to and including 150 pupils, the notional SEN budget must also be sufficient to cover £6,000 for every 1:50 pupils. Therefore, additional funding will be made available from the high needs block if notional SEN < (number of high needs pupils * £6,000) + (£6,000 for every 1:50 pupils for schools with 150 or fewer pupils). Reviews will be carried out on a termly basis.

Derbyshire

In order to qualify for additional funding, a school's shortfall must be significant and in excess of 1% of the school's overall school budget and estimated income (i.e. Schools Block, EYSFF, Post 16 EFA formula and Growth Fund: KS1 Class Size funding) including balances brought forward. The school will self-fund the equivalent of the first 1% of this overall figure. shortfall.

There are five contextual considerations that are taken into account, as appropriate, for every contingency claim:

- a) The level of actual brought forward school balances and estimated year end school balances are insufficient to reasonably support the anticipated funding shortfall
- b) A 2 or 3 Year Budget Plan is not an appropriate way forward
- c) Redundancy is not the more appropriate option
- d) For claims that relate to an AEN/SEN issue, Special Educational Needs Teaching Assistant Training and Advice (SENTA) provision on a two to one (or greater if appropriate) ratio must be considered and demonstrated to be unsuitable. Schools do not have to provide the first 9.5 hours of a statement (deemed to be equivalent to the £6,000) on a one to one basis and it MAY be that the school is able to save funding by having two to one arrangements in some cases
- e) The school must identify how it has spent/will spend the published 'Notional SEN Budget' One other consideration specific to SENTA claims is that the total number of statemented SENTA hours <9.5 for pupils in Reception to Year 11 (i.e. the overall requirement for multiples of £6,000), when expressed as a proportion of all Reception to Year 11 pupils at the school, must be in the upper quartile for the whole sector.

Example: 4 pupils in a school of 100 have statements for more than 9.5 hours each.
(4 x 9.5hrs) = 38 divided by 100 = 0.38 hours per all pupils

Gloucestershire

Schools & Academies will be expected to contribute the first £6,000 of the additional educational support provision for high needs pupils and students from their delegated budget - this is over and above the cost of standard teaching and learning (which is funded by the age weighted pupil unit (AWPU)). The number of high needs pupils for whom schools are expected to contribute will be restricted to one for every 75 pupils on roll, rounded to the nearest whole number. The £6,000 and 1 in 75 numbers will be adjusted for any pupils not present for the full year.

E.g. If NOR is 200 and the school have 4 high needs pupils who have each been assessed with additional high needs (above the AWPU) of £15,000. Then the responsibility for costs is:

- For first 3 pupils ($200 \text{ NOR} \div 75$ & rounded) the school pays £18,000 (3 X £6,000) and the LA pays the rest as a high needs top up £27,000 (3 X £9,000)
- For the 4th pupil the LA pays £15,000 (both the £6,000 element and the £9,000 element) as a high needs top up

Hackney

Additional funding is allocated to any primary school which has a higher than the threshold of pupils with statements. The threshold is the borough average + 1.03%. The data is taken from a count in each January, taken as a percentage of the previous October roll. The allocation is number of pupils over the threshold x £6,000 x 55% for a 1 FE; x 30% for a 2 FE and x 20% for a 2.5 FE school

Herefordshire

A process has been agreed to help mitigate the impact on schools of having to fund the first £6,000 for each Band 3 & 4 pupil. For example, four band 4 pupils in a school would lead to additional expenditure of £24,000 (i.e. 4x £6,000).

An "MFG" style protection scheme based on limiting additional school expenditure on Band 3 & 4 pupils to 1.5% per pupil has been agreed. The average per pupil funding for primary pupils is approximately £4,000 and using this figure as a standard for all schools this per pupil funding amount converts to a maximum reduction of £60 per pupil at the MFG percentage of 1.5% in 2013/14. It is proposed to limit any primary school's extra SEN costs as follows:

Number of primary pupils	Maximum cost of "£6,000" SEN – primary schools
50	£3,000
100	£6,000
150	£9,000
200	£12,000
250	£15,000
300	£18,000
400	£24,000
500	£30,000
600	£36,000