



High needs funding reform consultation: a response from Natspec

Question 1

Do you agree with our proposed principles for the funding system?

Yes, we agree broadly with the principles outlined, although we are not convinced by all the specific proposals.

- A funding system that supports opportunity

We welcome the emphasis on 'excellence for everyone', regardless of their additional needs and agree that the funding system should support this.

- A funding system that is fair

We agree that the system should be fair and based on factors which are understood to be so.

- A funding system that is efficient

It is not quite clear what the 'right behaviours' are. We agree that funding should support provision that delivers the best outcomes, but as yet there is little evidence about where this is being achieved. We would be pleased to be part of the gathering of good practice in relation to outcomes and costs, which is part of this process of reform.

We are alarmed at some of the current practice linked to funding, for example the growing number of framework approaches to commissioning linked to EU procurement regulations. These not only vary considerably from one grouping to another, but they completely undermine notions of choice and aspiration.

Furthermore, we do not believe the current system, based as it is on 150 different LA approaches, is efficient – see our response to Q2 below.

- A funding system that gets funding to the front line

We agree that funding should support delivery, but currently too much time is spent negotiating funding based entirely on a LA push to reduce fees rather than agree fees which support needs and will lead to better outcomes for adulthood.

- A funding system that is transparent

We welcome a move to clarity and transparency about funding, which is not there currently. We would welcome an approach which reduces the amount of variation in

practice and procedures that currently makes the system complex and hard to explain, in particular to young people and their families. Our view is that this is only achievable through a centrally managed single system – see our response to Q 2 below.

- A funding system that is simple

We welcome any move to a simpler system. However, we believe that a funding system which includes such variance from one LA to another cannot be described as simple

- A funding system that is predictable

We agree that the system should enable local authorities and institutions to plan effectively

Question 2

Do you agree that the majority of high needs funding should be distributed to local authorities rather than directly to schools and other institutions?

No. Natspec has always argued for the retention of, or the return to, a nationally managed funding system, which was more readily understood and more equitable for young people and families, who were not subject to a post-code lottery.

With the White paper proposals for academisation, the role of local authorities in funding will be negligible, with high needs funding being the only significant element remaining. We are deeply concerned about this. We know already that LAs have significant capacity and knowledge issues with regard to high needs funding, and we believe the proposals will see much greater reductions in LA capacity. We are already in a situation in the post-16 sector where this one group of high needs learners is funded differently from all other young people, and we will shortly move to a situation where this will be the case for all pupils. We believe this is discriminatory and will not give these children and young people the same degree of choice as their peer groups as the decisions about placement are so closely tied to funding decisions.

We think this is therefore the right time to move all children and young people to a national funding system, which we suggest would be managed by the EFA. We believe that doing so will restore some confidence in the system and in the aspirations of the Children and Families Act, by separating funding responsibilities from the assessment, EHC planning and commissioning activities undertaken by LAs. Such a move would reduce any conflict of interest for LAs, help them to be impartial in their assessment and planning, and enable them to undertake these important roles in the best interests of young people and without one eye on the budget at each stage.

It would also address the issue of local variation in spending levels noted in **2.6** and **2.8**, leading to greater consistency in funding and reassuring young people and parents that getting the right level of support is not dependent on where they live.

We also have some concerns about the capacity of LAs by 2020, when their responsibilities will have changed considerably, to manage the high needs funding. We think it is likely that they will lose expertise and will be re-focussed on their changed responsibilities.

Furthermore, the current system has led to a massive increase in the administrative burden on colleges. Alongside the varying systems for planning, LAs all have their own systems for funding which are managed differently in each authority. Colleges frequently spend a great deal of time agreeing funding, analysing their fees according to different LA criteria and then chasing up outstanding payments which are not always made in a timely fashion in accordance with the guidance. This is both costly and bureaucratic, and potentially risks the financial health of small organisations. We think that a move to central funding would perhaps represent the only way in which some cost savings might be made (see Q 11 and 3.39e).

We have given our views on the remaining questions in this consultation, but they should be read on the basis that we do not overall support the distribution to LAs and think that this is the right time to move to a centrally funded system.

Question 3

Do you agree that the high needs formula should be based on proxy measures of need, not the assessed needs of children and young people?

We are particularly concerned about the impact of reducing funding in some LAs as a result of changes in the formula; whatever formula is used will be untried and bring its own risks and possible inconsistencies. LA losers in this system will invariably mean that young people will ultimately be the losers. We therefore do not support any re-distribution which results in some LAs being significant losers, although we understand that this must therefore mean an increase in the budget over time.

Question 4

Do you agree with the basic factors proposed for a new high needs formula to distribute funding to local authorities?

Until further modelling has been undertaken, it is difficult to express a clear view on the factors which are most relevant. We suggest that this is undertaken urgently so that we have better information in advance of the next consultation.

We are not sure that the emphasis on deprivation is a good indicator of high needs, although it might more accurately reflect lower level needs. Many complex disabilities or learning difficulties are not linked to deprivation. Furthermore, many of these complex needs are accurately assessed at birth or soon after and we believe there should be a greater focus on data collected by health visitors during the first two years.

We understand why attainment could be a useful factor, but with significant changes underway in curriculum and assessment, we need a better understanding of the implications of these changes and which measures would be used longer term.

We are not clear why the factor in 3.22 does not take any account of 19-25 year olds; we think it risks reinforcing a view held by some LAs that they will not (or cannot) fund provision

for those 19 and over. This is not a message the formula should be signalling, as it promulgates approaches such as those taken by LAs which restrict students to 3 years post-16.

It is not clear how removing this group from the formula helps to 'a system of support that extends as seamlessly as possible throughout the education system and through the age range up to 25.' (4.29a). We fully support the need for access to education to be managed sensibly and understand that many young people will move out of education long before they are 25, but we are not convinced that ignoring this age group entirely is helpful. We would welcome further discussions with you about how this group might be properly represented in the factor.

The proposals in 3.24/25 around "importers" and "exporters" are complex with regard to specialist colleges, as there are no direct costs involved for LAs other than the commissioning LA. We understand this is actually linked to EFA place funding for specialist colleges, but would welcome some further examples of how this factor would operate.

Question 6

Which methodology for the area cost adjustment do you support?

The hybrid adjustment

Question 7

Do you agree that we should include a proportion of 2016-17 spending in the formula allocations of funding for high needs?

We note that 3.30 describes placements as being for 'a number of years'. In most post-16 settings, the provision is for two or at most three years. We are concerned that in LAs which are losers in the current proposals, this shorter term provision could be particularly vulnerable. See also our concern in Q3 about there being any losers at all.

We welcome the proposal in 3.31 to undertake further research on the costs and benefits of different types of provision. We believe that a follow up to the NAO report (2011) would be enormously beneficial across the system and would provide invaluable information on which to base future decisions.

Question 8

Do you agree with our proposal to protect local authorities' high needs funding through an overall minimum funding guarantee?

We do not believe that any LAs should lose funding through this process

Question 11

We therefore welcome, in response to this consultation, examples of local authorities that are using centrally retained funding in a strategic way to overcome barriers to integration and inclusion. We would be particularly interested in examples of where this funding has been allocated on an "invest-to-save" basis, achieving reductions in high needs spending over the longer term. We would like to publish any good examples received.

We are using this question to respond to a number of other concerns that we have about the proposals in the consultation document, in particular in **3.39**. We understand that there is a 'presumption to mainstream', but these statements seem to challenge the very existence of specialist provision. Our understanding of inclusive learning is about securing the greatest degree of match or fit between individual learning requirements and provision; it requires that the student is in the college which best meets their needs and is therefore not synonymous with mainstream.

Young people have been given very clear rights at 16 and we believe that this must include the right to choose where they are educated. If young people in our colleges achieve their ambition to go to university, they are not told that they can only attend the university nearest to the family home in order to maintain links to their local community – they go to the university with the courses and support that can best meet their needs. Is this element of choice only available to the most academically able? If not, then we think all young people should be able to choose the college that will best meet their learning and support requirements.

We know that the quality of local offers varies, and particularly in post-16 coverage. We would like to see specialist colleges being fully included in the local offer and being considered as both residential and day providers alongside other providers, rather than LAs using resources to duplicate specialist provision.

We note that the opening paragraph of **3.39** talks about an 'invest to save' approach. We think this is the approach that should be applied to young people, bearing in mind the findings of the NAO report in 2011 which found that giving young people with learning difficulties the skills they need for work and independence living saved significant sums of money over their lifetime.

In **3.39 a)**, we think there is more scope for expanding existing specialist provision and building on existing expertise and resources, rather than duplicating it. However, we are not sure that decisions about some very specialist, national provision should be made at regional level.

We would like clarification about the availability of capital funding (**3.39b**) to specialist colleges

3.39d) makes assumptions about funding that are not necessarily borne out when the full costs are taken into consideration. In post-16 terms, the Tomlinson report defined inclusive learning as being about making the best match between the student and their learning programme and support, rather than being about the location in which learning occurs.

The proposals in **3.39e)** about reducing costs makes similar assumptions about specialist provision. Over the many years when fees were frozen under the LSC, specialist colleges had to cope with reducing budgets; since LAs took over funding, this has continued, with LAs seeking further reductions. Colleges have responded by paring their costs to the bone, and we do not believe that further savings can be made. The one exception to this is the savings that could be made were the funding system to be managed nationally rather than through 150 LAs; such a move could considerably reduce the administrative costs to colleges.

The messages in this paragraph appear to challenge the very existence of the sector, and we are very concerned that they are being promoted.

Question 14

We welcome views on the outline and principles of the proposed changes to post-16 place funding (noting that the intended approach for post-16 mainstream institutions which have smaller proportions or numbers of students with high needs, differs from the approach for those with larger proportions or numbers), and on how specialist provision in FE colleges might be identified and designated.

We support the approach being proposed for specialist colleges, that there should be a single combined E1 and E2 place funding, as we agree that this will simplify the place funding allocation which since the beginning of this system has changed year on year. We note the proposed £10,000 flat rate, but would like to suggest the option of £11,000 which is closer to the current combined E1 and E2 and potentially would lead to a more seamless transition.

There are three additional points that we would want to raise:

1. It will be important that the message about this is clearly relayed to LAs, so that they understand the amount that is being taken off the overall fee and that the balance of the allocation has been redistributed into the LA high needs budgets
2. **4.32** states that the allocation will be based on the 'latest available data'; in order for funding to best reflect actual numbers, we feel that this must be the most recent figures, so based on 'in-year' R04, and not two years previously based on R014. So for 2017/18, use 2016/17 R04 – not 2015/16 R14.
3. We would wish to see a full reconciliation at the beginning of this new system, as some colleges have lost out consistently due to the thresholds for business cases and the decisions about the basis for allocations. The current system has also made it very difficult for colleges to grow. We would like to see all colleges starting from an equal place in terms funding reflecting their numbers.

In addition, we welcome the commitment to further modelling and the follow up consultation with more detail about these proposals.

On broader post-16 funding, we note that GFEs will now have the option for specialist provision when the students with high needs exceeds a certain level. We support the AoC proposals for this to be above 10, and for it to apply to all students in the college, rather than just those in discrete provision. GFEs should be designated as having specialist provision on the basis of their numbers alone, without the need for any role for the LA.

Finally, we have previously expressed our concerns about the role of the school forum in high needs funding. It is not clear how this would operate in future in the context of academisation, but were funding to stay with LAs then we would wish to see a fairer and more representative group established.

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