**Report to Hartlepool Schools’ Forum 26 November 2019**

**From Amanda Whitehead – Assistant Director Education**

**Item 3 : Review of Funding Arrangements for Special Schools**

1. **Introduction**
   1. This report introduces a proposed review of special school funding.

* 1. Schools’ Forum are currently proposing school budget shares for 2020/21 and are aware that all schools will see at least a 1.36% budget increase from 2019/20 (worse case). Special schools are funded from the high needs block as opposed to the schools block. Funding for special schools is currently reducing on an annual basis as a result of their locally agreed Minimum Funding Guarantee (MFG) arrangement.

1. **Background**
   1. During 2018/19, to address spending pressures against the high needs block, the local authority, with support from Schools’ Forum, implemented revised top-up ranges for support to children with Special Educational Needs or Disabilities (SEND).

* 1. The impact on funding of special schools from the revised top-up ranges was so significant that a transitional approach using an MFG was proposed by Schools’ Forum and agreed by Children’s Services Committee.
  2. Funding of special schools is discussed in more detail in the following section.

1. **Current Funding of Special Schools**
   1. The two special schools in Hartlepool are funded via place funding and an MFG-based top-up payment.
   2. Place funding is payable at £10,000 per place. This amount is based on the principle of £4,000 per pupil basic entitlement (received as a factor in the HNB formula) plus the notional SEN amount of £6,000. The £10,000 is payable to special schools on the basis of funded places only. Funded places are confirmed each year by the authority’s Commissioning Team as part of the government’s place change notification process in November.

3.4 The actual top-up amounts are recorded at an individual pupil level for special schools using the revised top-up ranges. Special school top-ups are in the range of 5i to 6ii as illustrated in the following table.

|  |  |
| --- | --- |
| **Range** | **Top-up Payment (per annum)** |
| 5i | £ 5,000 |
| 5ii | £10,000 |
| 6i | £14,000 |
| 6ii | £19,000 |

3.5 Although actual top-up amounts are recorded, top-up payments to special schools are made on the basis of their MFG instead. This is so that special schools are protected over a transition period rather than moving immediately to the revised top-up amounts, resulting in financial instability.

3.6 The existing MFG arrangement is set at 98.5% against the baseline year of 2017/18. Special schools receive a payment reduction of -1.5% year on year on the 2017/18 baseline. To give an idea of scale, across the two special schools in Hartlepool, this 1.5% reduction amounted to £29,262 in 2019/20.

**4.** **Proposed Review of Special School Funding**

4.1 In Schools’ Forum discussions surrounding budget setting for 2020/21, special schools have asked for a review of their current funding arrangements.

4.2 For clarity, Schools’ Forum are aware that any proposals for increased funding to special schools will result in increased financial pressure on the high needs block.

4.3 The establishment of a Task and Finish Group has been proposed to co-ordinate and present changes to Schools’ Forum for consideration.

4.4 The initial objective for the Task and Finish Group would be to propose the scope of the review.

**5.** **Review of Current MFG Arrangement**

5.1 The Education and Skills Funding Agency (ESFA) recently issued updated high needs block operational guidance for 2020/21. Changes included in the updated guidance have been assessed during the preparation of this report. One of the changes in 2020/21 relates to the minimum MFG allowed to be applied to special schools. The minimum has been increased from 98.5% to 100% with effect from 1 April 2020.

5.2 To ensure compliance with the updated guidance, the special school MFG deduction must be uplifted to 0% as opposed to the current -1.5%. This will result in an additional cost of circa £30k per annum to the high needs block.

5.3 Children’s Services Committee will be asked to ratify the MFG change as part of overall budget setting for 2020/21.

**6.** **Recommendations**

6.1 Forum is asked to:

1. Note the contents of the report and the agreement from the previous meeting to establish a Task and Finish Group to scope and conduct the review of special schools funding.