

## Schools Forum – 16<sup>th</sup> January 2020

### High Needs Block update

#### Executive Summary

- The projected overspend on the High Needs Block continues to increase, in the main due to increasing numbers of children and young people placed in the independent special schools.
- The impact of this projection means that at the end of the current financial year, the overall DSG reserve will be all but depleted.
- It is expected that the SEND transformation will yield savings over the medium term through Inclusion & SEND locality hubs. These will provide a mechanism to identify and support children experiencing difficulties early, reducing the proportion that escalate to requiring an EHCP.
- It is unlikely that this will deliver the necessary savings in the short term. Accordingly the Local Authority has requested a further switch from the schools block to the High Needs Block to avoid bringing the overall DSG reserve into deficit.
- Members of Schools Forum rejected the request to transfer 0.5% from the Schools Block to the High Needs Block, as a result the Local Authority has made representation to the Secretary of State for the switch to take place.
- The Local Authority has provided additional investment to stabilise the workforce to deal with the significant increase in demand for EHCPs along with amending and updating the plans maintained.

#### Recommendations:

That Schools Forum:

1. Notes the updates to the High Needs Block following the report previously presented in October 2019.
2. Notes the Council's request to the Secretary of State for Education to transfer 0.5% of the Schools Block allocation to the High Needs Block.
3. Establishes a working group to review the HNB spend and provide recommendations as to where additional savings or efficiencies can be made.

#### Report of Deputy Chief Executive and Director for Families and Communities

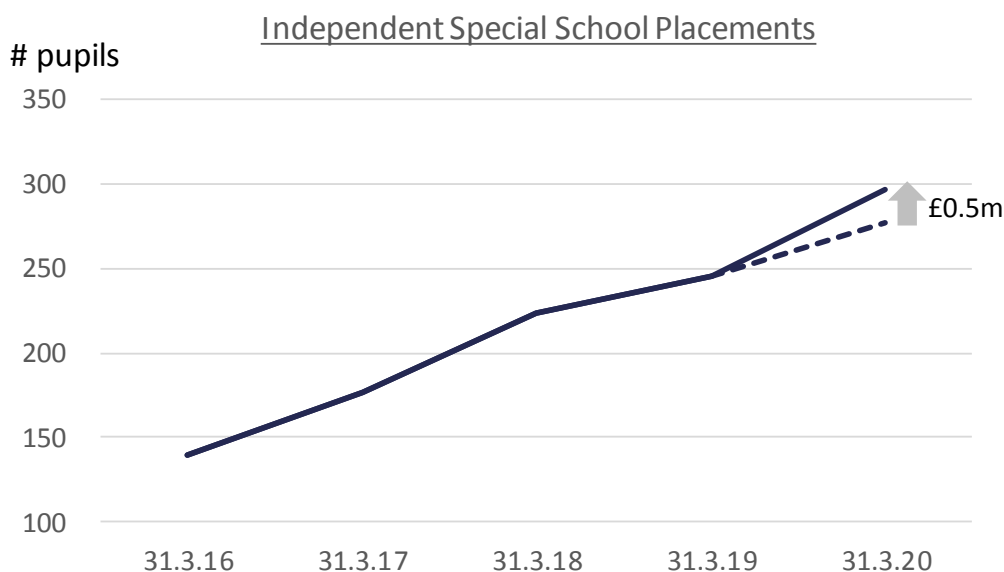
#### PART A

#### Reasons for recommendations:

4. Schools forum requested regular updates on the latest position of the High Needs Block including the impact of the additional DfE funding of £1.8m in

2019/20 and the transfer of £2.4m (0.5%) from the Schools Block to the High Needs Block.

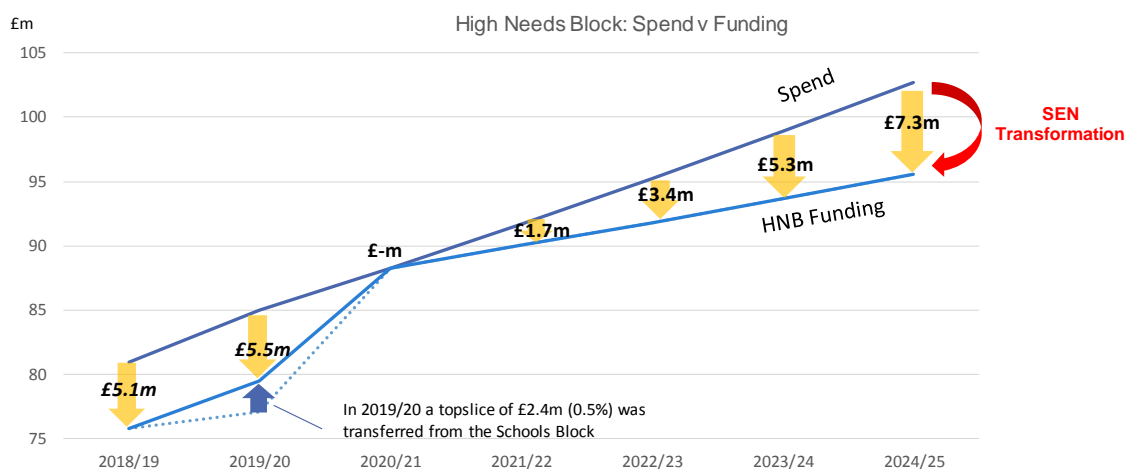
5. The forecast outturn for the 2019/20 High Needs Block is £5.5m overspend, an increase of £0.9m from the £4.6m previously reported in October 2019. This a result, in the main, of rising costs within Independent Schools and Pupil Referral Units:
  - i. Pupil Referral Units (PRU); For 2019/20 the initial forecast was that there would be, on average, c 328 planned places within PRUs. As a result of higher than expected demand, a further 26 places have recently been commissioned at an extra cost of £0.4m (including any additional 'top up' funding to support the specific needs of children attending).
  - ii. Independent Schools; Based on latest placement numbers, it is now estimated that there will be around 295 children at Independent Special Schools at the end of the current year; up from 245 at the end of March 2019. This is higher than previously forecast at an additional cost of c£0.5m in 2019/20:



6. As a result, it is expected that, at the end of the current financial year, the DSG reserve will be all but depleted (subject to transfers from other School Blocks) and there will be no 'buffer' available to manage future budget pressures.
7. At the extra ordinary meeting of Schools Forum in November, members rejected the request to switch 0.5% of the Schools Block to the High Needs Block.
8. As a result of this decision the Local Authority has made representation to the Secretary of State for the switch to take place. A decision on this request is expected before 28<sup>th</sup> January 2020.

9. The Government, as part of the recent Spending Review, announced a further £780m funding for High Needs Block in 2020/21. For Staffordshire, the HNB in 2020/21 will be around £88.2m, an increase of £11.1m (14%) compared to 2019/20 (£77.1m). The net increase is likely to be circa £8.7m and will go a long way to addressing the current underlying budget shortfall in this area.
10. Unfortunately, and assuming:
- the additional HNB funding will remain in place going forward and,
  - that funding levels going forward will increase annually thereafter in line with inflation,

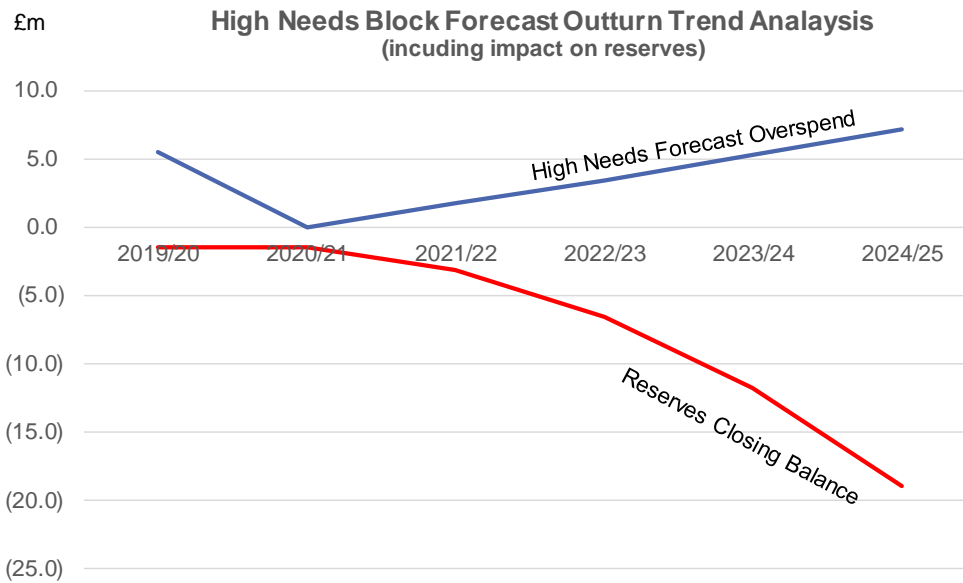
given the increasing cost and demand for SEND, it is likely that going forward service demand and cost will continue to outpace future funding levels:



11. Using the latest information, the table below illustrates the effect of the High Needs Block on the overall DSG balances. It is expected that, at the end of the current year, the DSG reserve will be all but depleted and there will be no 'buffer' available to help manage future budget pressures:

<b>DSG Reserve</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
Opening Balance	4.0	(1.5)
High Needs Forecast Overspend	(5.5)	0.0
<b>Forecast Closing Balance</b>	<b>(1.5)</b>	<b>(1.5)</b>

The graph below gives further projections based on current spend of the impact on reserves. Left unaddressed it is likely that the reserve will fall into a significant deficit position:



12. There is a need to protect DSG balances through the short term due to rising demands and costs of the service. It is expected that the SEND transformation will yield savings over the medium term.
13. The transformation of the whole SEND delivery model has been developed in order to provide early intervention and to prevent later higher cost needs and pupils being referred into statutory processes. The key elements of the SEND model are as follows:
- Inclusion & SEND locality hubs will provide a mechanism to identify and support children experiencing difficulties early, reducing the proportion that escalate to requiring an EHCP.
  - Children with moderate learning difficulties will be educated within mainstream settings whenever possible.
  - Special schools will be encouraged to provide outreach support to Mainstream settings
  - Special schools providing for those with the greatest need reducing the need for placements in independent and non-maintained special schools.

## PART B

### Background

14. The financial risk of the High Needs Block has been a standing agenda at Schools Forum. The increase in demand on the High Needs Block has mainly arisen from a significant increase in a range of areas. These include:
- Additional needs requests
  - Increase in pupil numbers requiring EHCPs,

- Extension of age group to 25 for those with EHCPs,
  - Increase in out of county placements and costs,
  - Increase in Matrix funding for special schools,
  - High numbers of exclusions from mainstream schools,
  - The funding of increased numbers of pupils out of education.
15. The additional contribution of £1.7m in 2019/2020 and the transfer of £2.4m (0.5%) from the Schools Block to the High Needs Block means that the HNB in 2019/ 20 is £80m. This includes £29m for planned places allocated to schools.
16. The main areas of forecast overspend within the High Needs Block in 2019/20 are provided within the table below. A more detailed overview of the High Needs Block budget is provided within Appendix A.

<b>High Needs Budget 2019/20</b>	Budget £m	Forecast Outturn £m	Over / (Under) spend £m
Planned Places	29.2	29.2	0.0
Top Up Budgets	26.5	30.4	3.9
<b>Non Top Up Budgets</b>			
Independent Schools (Mainstream & Special)	10.2	13.6	3.4
Alternative provision (inc DIPS)	1.5	1.9	0.4
Post 16	4.6	4.1	(0.5)
Other	5.9	5.9	0.0
Additional funding to support overspend	2.4	0.0	(2.4)
<b>Total Net Spend</b>	<b>80.3</b>	<b>85.1</b>	<b>4.8</b>
<b>Total Funding</b>	<b>(80.3)</b>	<b>(79.6)</b>	<b>0.7</b>
<b>Net Forecast Outturn</b>	<b>(0.0)</b>	<b>5.5</b>	<b>5.5</b>

17. Although there has been an increase in the High Needs Block the DSG balances will be brought into deficit in 2020/21 without further action. This is a situation that a majority of local authorities in the country are facing.
18. The government have reviewed the allocation of High Needs funding and in August 2019 announced an additional national allocation of £780m in 2020/21 for the High Needs Block compared to existing (2019/20) funding levels.
19. The allocation to each local authority will not be known until December 2019 and there remains uncertainty as to whether the additional £780m, or indeed the extra £125m that was announced in December 2018 and is also within the current budget (of which Staffordshire receive around £1.8m), will be included in the base going forward and therefore ongoing.

For now, the assumption is that additional funding will continue beyond 2020/21 and that, going forward, the High Needs Block will continue to increase annually thereafter in line with inflation (cash flat in real terms).
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20. In 2019/20 the Secretary of State approved a 0.5% funding switch from the Schools Block for High Needs for circa £2.4m. By removing this, we estimate that the overall HNB 2020/21 will be around £88m, an increase from the current budget of c£8m.
21. Despite the additional Government funding, given the increasing cost and demand for SEND, there remains a significant risk that going forward service demand and cost will continue to outpace future funding levels and, left unaddressed, could lead to a budget shortfall of c £7.3m by 2024/25.
22. Whilst the SEN transformation programme (see below) is expected to manage this underlying pressure in the medium term, it is unlikely that this will deliver the necessary savings in the short term. Accordingly the Council has requested a further switch from the schools block to the High Needs Block to avoid bringing the overall DSG reserve into deficit.

### SEND Transformation

23. The local authority has a strategic vision of increasing the opportunities for districts to have greater management of funding through locality arrangements in order to provide early intervention for need, as well as a consequent reduction in administrative costs, over time, to both schools and the Local Authority. This is being developed through the transformation of the whole SEND delivery model in order to prevent later higher cost needs and pupils being referred into statutory processes.
24. The programme of establishing the model across the county is continuing. Further work to establish district arrangements are taking place in South Staffordshire, Staffordshire Moorlands, Tamworth and Cannock. Engagement with Newcastle and Stafford districts will begin during the spring term 2020, with East Staffordshire and Lichfield engagement commencing during the summer term 2020. The plan to include all other districts is in place so that by September 2020 district governance will be in place across Staffordshire.
25. This programme of work is included within the local area Written Statement of Action (WSoA) which is being implemented by the SEND partnership group.

### SCC funding

26. Following the Written Statement of Action there has been an increase in SEND keyworkers at a cost of £162k, to enable a more timely response to the delivery of EHCPs. These are beginning to address the requests for EHCPs which will increase the number further.
27. Due to the increased number of EHCPs being maintained, there is a back log of plans which are waiting to be amended following the annual review process. An in-year sum of £100k to provide additional capacity to update and amend current Education Health and Care (EHC) plans; and to provide support to produce additional EHC plans has also been allocated.

28. The EHCP population in Staffordshire continues to increase. The number of requests EHCNAs has increased from 1234 in 2018 to 1424 in 2019. Early evidence of the SEND model indicates referral rates remaining in line with previous years.
29. The SEND Assessment & Planning team has a gross budget of £1.9m including the additional investment of £262k.
30. The local authority faces challenges in the recruitment and retention of Educational Psychologists (EPs). This is contributing to the significant decline in the 20 week statutory timeframe to complete an EHC planning process. Activity to increase recruitment and retention is underway including a meeting with the DfE. However in order to meet demand locum EPs are providing additional capacity.
31. A local authority strategy group has been established to develop a plan to improve the recruitment of EPs. This includes reviewing the current pay structure, amending terms and conditions to reflect the busy periods within the academic year.
32. Currently the cost of the locum EPs is being funded through the EP core budget. This is not sustainable as each locum EP EHC needs assessment costs £1000. Additional resource or investment is likely to be required.
33. The SEND home to school/college transport budget in 2019/20 is £11.6m. The latest forecast is that this budget will overspend by up to £1.5m in 2019/2020. The main issues driving up the cost of this budget are the increase in demand, the placement of children and young people in independent out of county special schools, an increase in the average cost per pupil which includes both transport and escort costs and an increase in single occupancy journeys.

**Report author:**

Author's Name: Tim Moss, Head of Education Strategy and Improvement

Ext. No.: 01785 277963

Room No.: Number 1, Staffordshire Place

## Appendix A

<b>2019-2020 HIGH NEEDS BUDGET</b>			
<b>(As at November 2019)</b>	<b>Latest Budget</b>	<b>Forecast Outturn</b>	<b>Over/(Under) spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Planned Places</b>	<b>29.2</b>	<b>29.2</b>	<b>0.0</b>
<b>Top Up Budgets</b>	<b>26.5</b>	<b>30.4</b>	<b>3.9</b>
Staffordshire Special Schools and Academies	13.9	15.8	1.9
Staffordshire Mainstream Schools	9.5	10.7	1.2
Pupils in other LA Special & Mainstream Schools & Academies	1.3	1.7	0.4
Pupil Referral Units	1.8	2.2	0.4
<b>Non Top Up Budgets</b>	<b>22.2</b>	<b>25.5</b>	<b>3.3</b>
Independent Schools Mainstream	0.8	1.2	0.4
Independent Schools Special	9.4	12.4	3.0
Independent Hospital Fees	0.3	0.3	(0.0)
Early Years PVI's	0.3	0.3	0.0
District Inclusion Partnerships	1.2	1.6	0.4
Education Other Than At School (EOTAS)	0.3	0.3	(0.0)
SEN Support Services	5.3	5.3	0.0
Post-16 FE Placements	1.6	2.0	0.4
Post-16 Top-ups for ISPs	3.0	2.1	(0.9)
<b>SUB TOTAL</b>	<b>77.9</b>	<b>85.1</b>	<b>7.2</b>
Additional Funding to Support Overspend	2.4	0.0	(2.4)
<b>GRAND TOTAL</b>	<b>80.3</b>	<b>85.1</b>	<b>4.8</b>
<b>Funding</b>	<b>(80.3)</b>	<b>(79.6)</b>	<b>0.7</b>
High Needs Allocation from Government	(77.9)	(77.2)	0.7
Transfers from other Blocks	(2.4)	(2.4)	(0.0)
<b>NET FORECAST OUTTURN</b>	<b>(0.0)</b>	<b>5.5</b>	<b>5.5</b>