

Paper for consultation on High Needs increasing budget pressures and request for support funding from Schools and Early Years Block DSG in 2019/2020.

1. Background

- 1.1 This paper is brought in consultation with schools out of a growing concern for increased and ongoing budget pressures being felt on High Needs services this year and going into 2019/20; and to seek approval to top slice the maximum permitted amount of funding up to 0.5% of Schools Block DSG for High Needs without recourse to the LA making a disapplication to the Secretary of State to make a determination where Schools Forum fail to agree the top slice request.
- 1.2 Last year (2017/18), the outturn on High Needs ended with an overspend of £1.8m. The major contributors to the overspend were the commissioning of additional new places at two Special Schools - Rowan Park High and Merefield school for extra pupils and for the provision of extra resources and support to other schools for children and young people with very complex needs.
- 1.3 Officers took a report to the Schools Forum on 24 September 2018 indicating that High Needs has a significant forecast overspend of £2.3m in 2018/19, as at August 2018. This year, a further 8 children (a class) with SEN have been placed at our in-house special school, Crosby High School. This is at the request of the LA to increase their intake, and to avoid the very expensive costs of placing children in out of borough day schools. This makes financial sense where it can be accommodated
- 1.4 For background information, there has been a 35% increase in the numbers of young people with Plans coming into the High Needs system since 2013. The table below shows the overall increase in numbers year by year group:

Age Range	Increase
Under age 5	17
Aged 5 to 10	6
Aged 11 to 15	14
Aged 16 to 19	215
Aged 20 to 25	88
Total	340

- 1.5 In 2013/14 and 2014/15 the High Needs budgets were adjusted annually by the DfE to reflect changes in the numbers planned places being commissioned by LA s using the November High Needs census return. This allowed LA s to actively manage demand and increased costs pressures. This also allowed the LA to use any flexibility within the High Needs budgets, along with some High Needs balances, in any invest to save programmes locally. In Sefton funding was used to contribute towards new building works and set up costs at some Units, along with Resourced Unit transitional funding support when the new High Formula Funding methodology was set up during this period. The High Needs budget was

also able to contribute some one-off, set up costs for the two the PRUs when they were given delegated budgets in 2013/14.

- 1.6 However, from 2015/16 the DfE flatlined High Needs Funding to Councils and no longer gave additional funding for increases in SEN numbers and as a result the High Needs budgets started to be overspent (£0.704m) as demand for places increased but funding was kept at a fixed level.
- 1.7 Pressure on LA budgets through increasing numbers of children with EHC plans needing a place in special provision has grown steadily since 2015/16, and although the LA has tried its best to contain costs, in house provision is now virtually full, often leaving external provision as the only means of placement.
- 1.8 Pressures on schools' budgets in recent years, caused by inadequate settlements and unfunded cost pressures has meant schools too, are often unable to meet the demands placed on them in managing children with low incidence special needs and disabilities. This in turn has led to growing requests through our SEN panel for additional High Needs funding to support their provision.
- 1.9 This report recognises the very special problems schools are facing in managing children with special / complex needs and the associated costs. However the demands placed on the High Needs budgets is also pressured, as numbers of children with SEN and EHC plans increases placing the LA with an obligation to fund new places and additionality, with little increases to the High Needs funding allocations
- 1.10 The financial situation is unsustainable going forward and it seems that similar pressures are being felt around other NW authorities. The guidance from the DfE on setting the schools formula funding for 2019/20, is to allow Local Authorities again, to seek schools and Schools Forum permission to transfer funding, of up to 0.5% of its Schools Block Funding into High Needs, subject to consultation and agreement of the Schools Forum.
- 1.11 On 24 September 2018, Schools Forum were presented with a report seeking their ongoing support for a contribution of £0.450m (or 0.29% of the Schools Block allocation) towards High Needs cost pressures in 2019/20, in line with their contribution towards 2018/19 funding. Members were also asked to consider a further contribution in 2019/20 of £0.336m to take this up to the maximum level of contribution (£0.786m) i.e 0.5% of the SB allocation based on the latest funding allocation subject to the October 2018 pupil census.
- 1.12 Schools Forum members agreed by Phase, to support a similar sum to that allowed in 2018/19 (£0.450m) but not to any extra amount. The impact per school of both actions was demonstrated at the meeting through provision of a financial model. This is attached for information.
- 1.13 This decision leaves the LA with a significant projected budget gap on the High Needs budget in 2019/20 and the LA is therefore requesting that schools to consider a level of increase up to the 0.5% level for 2019/20 on the basis of a

rising deficit on High Needs spending and on the basis that the overall DSG must be seen as a shared funding structure of support.

- 1.14 If there is no agreement to support up to 0.5% Schools Block funding then the LA will need to consider financial risk to the High Needs budget going forward and whether to place the decision with the DfE through a disapplication request.
- 1.15 The LA recognises the need to take urgent action in reducing High Needs overspending and a review of High Needs is now underway. This will enable a range of actions to be considered that will help bring costs down and move towards a more sustainable and balanced budget.
- 1.16 The DfE are now requesting information from LA s at the end of this financial year (2018/19) around reasons and actions being taken to reduce any deficit balances against their High Needs if these exceed 1% of their total High Needs funding allocations. It is becoming increasingly urgent for LA s to demonstrate actions towards recovering from a deficit position.

2. Request for funding and High Needs Budget pressures

- 2.1 Attached to this consultation document is a detail breakdown of the growing budget pressures within High Needs (Appendix 1). This provides information on spending levels; Funding levels and Balances from 2013/14, (the onset of the new High Needs funding regime) through to the forecast for 2018/19.
- 2.2 The main budget pressures are as follows:

Early Years Resourced Nursery Places and Inclusion support for Early Years children in Schools Nursery and Private Placements.

This budget area has seen an increase in spending since 2013/14 of over £0.255m, from £0.215m to just over £0.470m pa by 2018/19. This is over 100% increase in spending and is due, in part, to increasing numbers of younger children with special needs being identified earlier; and with eligible 2 year olds starting at nursery as added cohorts of children entering the education system. In addition, there is the increasing cost of having trained and specialist staff and support equipment in the right quantities to handle this growing demand. Since 2017/18, the number of resourced Nursery places has been reduced from 28 to 23 but numbers of these Early Years children funded for more than 15 hours a week child care is increasing, with an +11 children between August 2017 and August 2018 now funded for more than 15 hours per week as they access the new 30 hours early years offer.

Primary School top up costs and demands

These have risen substantially since 2013/14 from spending of £1.501m to £3.061m, the forecast spending in 2018/19. This is an increase of £1.560m or

101% and similarly could be due to increasing demands from Early Years children who are diagnosed already with special needs by the time they reach Primary school age. The costs of early SEN diagnosis and support are cutting in earlier and in larger numbers than previously experienced. There has also been an increasing use of 'exceptional funding' agreements to provide additional support for High Needs pupils to enable them to remain in mainstream schools. The LA, via the SENIS team are now trialling School Provision agreements with a total package for all pupils with High Needs agreements in a move to apply more considered application of scarce resources. Work is being done with schools to ensure efficient and effective use of school and high needs resources to support pupils with SEND in mainstream provision.

Secondary Top Up costs

These have risen by 54% since 2013/14 from spending of £0.721m to an estimated £1.112m spending in 2018/19 (an increase in spending of £0.391m).

Special School / Resources Unit Planned Places and top ups and demands

Due to increasing numbers and changes in the complexity of children's needs costs have risen by 34% from £3.685m to an estimated £4.933m pa by 2018/19 (£1.248m). The number of Special Needs places have increased over the last few years with 38 new ASD places created from 2014/15 – 2015/16 across Resourced Units and Special Schools.

This was a planned invest to save decision to help meet demographic demands with a strategy that in-house provision would gradually replace expensive Day and Residential school places. However, some major factors have hampered this strategy. The fact that in 2015/16 the DfE refused to fund any extra places, having conducted a full place survey the year before and funded many new places to set a baseline in 2014/15.

The DfE still require the LA to complete a November census return each year showing the number of SEND places it commissions but they will not adjust funding levels for any change in planned places for LA maintained special schools. Any additional places must now be met from existing resources, which has put the High Needs in a strained resource position ever since.

As demand for in-house provision at Special Schools exceeds maximum levels, there is a now a growing increase in the numbers of children being placed in Independent Special schools at high cost. The level of independent day and residential placements and costs has risen from £2.568m in 2013/14 to £3.223m in 2018/19, an increase of £0.655m or 26%. Particularly significant is the increase in external placement costs from 2017/18 to this year 2018/19 of £0.655m.

The number of Special school places continue to rise with demographic demand. Each September the LA has to provide an additional 8 places to the

newly created Rowan High Special School until it reaches its full occupancy level. In 2018/19 the LA has also had to commission an extra 8 places at Crosby High from Sept 2018 to stop further children being placed Out of Borough in expensive Independent Special School provision. Similarly, Merefield Special School has taken extra children over and above their allotted intake to help the LA meet demand. These have a serious cost implication to meet demand.

Pupil Referral Units

In 2016/17 the LA had to commission extra places created in Impact, to meet significant increases in demand, as more children and young people are being excluded from mainstream schools. This area has seen an increase in spending since 2013/14 of £0.612m from £2.049m to £2.661m in 2018/19 an increase of 30%, as more schools appear to be excluding pupils permanently with behavioural problems.

Post 16 HN costs

When funding was originally given to LA s for High Needs, Sefton's element 3 Top Up for Post 16 places was already **£1.7m** below the levels of required top-up spending. Based on our budget analysis, costs for Post 16 (16-18yo) have risen by £0.642m from 2013/14 to 2018/19 (£2.650m to £3.181m). Post 16 (19-24yo) is forecast to overspend by £0.212m in 2018/19. These areas are becoming more pressured as more pupils are wishing to stay on at In-House provision, rather than go to FE colleges etc

- 2.3 These then, are the main budget pressure areas across High Needs. Totalling the net changes in spending since 2013/14, the increase has been £3.6m compared with DfE High Needs funding settlement increases of just £1.7m since 2013/14. This shortfall amounts to £1.9m which equates to the level of changed spending between 2013/14 and 2018/19 latest forecasts. Funding has not kept pace of demand and costs.
- 2.4 Work has been undertaken as part of the longer-term strategy to review and reduce costs where possible. This has had some success. Specialist services have been provided in-house, therefore reducing reliance on external contracts and decommissioning underutilised specialist places for example in dyslexia units. However, the increases in demand outlined above have resulted in an overall cost increase.
- 2.5 The High Needs service includes a Complementary Education Unit which deals with referrals of pupils from mainstream schools, who often have behavioural or mental health issues. The Unit provides 1:1 support and tuition during absence from school and this can be at home if a child is sick, or at the Pinefield Unit in Formby. Costs of this service have seen a sharp increase over the last 12-18 months with numbers of referrals rising from 57 in 2016 to around 109 children in 2017. Since 2018, a charge has been introduced to schools towards the increased costs of a growing cohort of pupil referrals to the Service. This charge will be

reviewed should numbers of referrals reduce and costs come down to the level of the budget. High numbers referred to Comp Ed seem to be sustained into 2018.

3 Statistics in support of growing costs

- 3.1 The table below is used to demonstrate the trends in the numbers of children and average costs of providing Top Ups since 2014/15. This shows the numbers of children increasing year on year in each provision along with increasing average costs of Top-ups, adding significant additional costs to High Needs.

<u>Year</u>	<u>No.of Children</u>	<u>Average Top-Up (£) p child</u>
2014/15		
Mainstream Primary	273	£4,597
Mainstream Secondary	118	£5,208
Mainstream Special	556	£8,062
2015/16		
Mainstream Primary	296	£4,809
Mainstream Secondary	130	£5,512
Mainstream Special	563	£8,350
2016/17		
Mainstream Primary	344	£4,604
Mainstream Secondary	137	£5,710
Mainstream Special	578	£8,955
2017/18		
Mainstream Primary	354	£5,081
Mainstream Secondary	146	£6,925
Mainstream Special	642	£9,277
2018/19 (Sept 2018)		
Mainstream Primary	366	£5,645
Mainstream Secondary	150	£6,048
Mainstream Special	622	£9,709

- 3.2 Data is also shown below, of the average costs and numbers of children in Day and Residential placements for information, where numbers and costs appear to be on the increase since 2017/18.

<u>Year</u>	<u>No.of Children</u>	<u>Average costs (£) p child</u>
<u>Non-Maintained Day Schools Placements</u>		
2014/15	62	£44,121

2015/16	49	£49,084
2016/17	42	£41,922
2017/18	67	£38,512 / £42,730 Full Year effect
<u>Residential Placements</u>		
2014/15	3	£71,742
2015/16	8	£61,461
2016/17	5	£57,832
2017/18	5	£65,814

4 Funding request

- 4.1 Funding for High Needs was increased in 2018/19 by the contribution of £0.450m from Schools Block and £0.200m from Early Years, however with cost pressures due to significant increases in demand and despite efforts to reduce costs, this has since proven insufficient to help balance the budget.
- 4.2 The current position for High Needs suggests there is a forecast overspend of approximately £2.3m. It is hoped that through the High Needs Review currently underway and a number of possible measures to reduce cost, plus ongoing support from schools block and early years, the level of deficit may be reduced down. The indicative funding settlement for next year by the DfE would suggest Sefton may only get an extra £0.127m towards demographic/population change, which is very low level of increase to the base funding for 2019/20.
- 4.3 The Early Years block continues to receive the same level of funding for 2019/20 and it is considered that the level of contribution it gave towards High Needs (£0.200m) should be repeated in 2019/20. The LA is empowered to transfer money between Early Years and High Needs Blocks without the same restrictions as apply to transfers from the Schools Block. This would help in 2019/20.
- 4.4 With a contribution of £0.200m from Early Years, this would reduce the anticipated shortfall to around £1.9m, the level of support being requested from schools for 2019/20 at the maximum 0.5% would provide an additional funding of £0.786m. This added to the increase of funding from the DfE at £0.127m would support High Needs by just over £1.1m in 2019/20.
- 4.5 The effects of a full 0.5% top-slice from Schools Block is modelled as part of this consultation with schools to see the effects on each school before a decision is taken to recommend to Forum in November 2018.

5. Recommendations

- 5.1 Schools are asked to consider this paper and proposals to top-slice a contribution towards High Needs budget pressures in 2019/20 to the maximum 0.5% of Schools Block funding (£0.786m) and to make a recommendation to Schools Forum accordingly. The decision ultimately rests with Schools Forum.

