

Sefton Schools Forum Report

Date of Meeting:	11 March 2019
Title of Report:	High Needs budget forecasts 2018/19 and 2019/20
Presenting Officer:	Kevin McBlain
Reason for Submission to Forum:	(4) ITEMS FOR INFORMATION
Executive Summary:	To provide members with an update on the High Needs forecast budget position for 2018/29 and to consider the position for 2019/20.
Budget/Risk Implications:	None
Recommendations:	Schools Forum are asked to; 1.Note the report and the financial forecast for High Needs in 2018/19 and 2019/20 and 2.Note the intention to bring regular reports on the High Needs to Schools Forum throughout 2019/20.
Appendices (to be attached)	Summary of the High Needs budget forecast for 2018/19
Background Papers (available on request)	
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SCHOOLS' FORUM POWERS & RESPONSIBILITIES

- 1 ITEMS FOR APPROVAL (DfE can adjudicate where Forum does not agree LA proposal)
- 2 ITEMS FOR CONSULTATION (Forum provides a view on LA proposal but LA decides)
- 3 ITEMS FOR CONSULTATION (Forum provides a view on LA proposal but DfE decides)
- 4 ITEMS FOR INFORMATION (No formal view of the Forum is sought)

1. **Background**

- 1.1 Members of Schools Forum last received a High Needs budget forecast report in September 2018, and as we near the Financial year end this report is to update the position and to consider further, the prospects for 2019/20 on High Needs spending and resources.

2. **The High Needs forecasts 2018/19**

- 2.1 In September 2018, the forecast position for High Needs (as at August) suggested an overspend of £2.3m in 2018/19. This has since grown, over the last 5 months, to an overspend of £2.5m after taking into account the High Needs panel deliberations on schools' requests for top ups for existing SEND children from September 2018. This position could worsen towards the year end, pending any further panel decisions taken before the end of March.
- 2.2 However, in December 2018, following significant pressure nationally, to increase funding for High Needs, the Secretary of State announced a national funding allocation of £1.3bn to Local Authorities, across two years, in support of their High Needs budget pressures. This is to be split evenly between this Financial year, and 2019/20. Sefton will receive £0.562m additional funding this year and next, to help alleviate High Needs overspending. This extra funding in 2018/19, will help bring our forecast deficit position down to £1.9m. This is inclusive of the contributions from Schools (£0.450m) and Early Years (£0.200m) in 2018/19. Whilst this additional funding announcement is welcome, it fails to fully address our significant overspending position. Without the additional funding however, and without the contribution from Schools and Early Years, the underlying position would be a deficit on High Needs of around £3.1m.
- 2.3 Continuing budget pressures exist across a few key areas, namely:

Schools Top Up funding £1.3m
Day Placements at non-maintained special schools £1m
Post 16 top ups £0.500m

These are offset, in part, by underspending across the High Needs support services through having vacant posts c. £-0.300m.

These vacant posts are likely to reduce during the 2019/20 year, to help meet the requirements of the High Needs review in strengthening in-house support and the High Needs offer. In particular, around casework on EHCPs.

3. **A look at prospects for the year ahead - 2019/20**

- 3.1 Our current High Needs spending is around £29.7m and given a continuation of the budget pressure areas, a reduction in staff vacancies, offset by ongoing changes to process and an ability to restrain out of Borough placements we might anticipate spending levels similar to this year going into 2019/20. Even allowing for a marginal increase of say £0.200m including pay awards etc to £29.9m there would still be a deficit spending position against 2019/20 funding of around £1.5m. This position would of course be dependent upon any actions taken to address the overspending during the year.
- 3.2 Our High Needs funding for 2019/20, including the £0.562m growth announced in December; plus Schools contribution up to the Maximum level of 0.5% of Schools Block allocation (£0.795m); and Early Years contribution (£0.200m) and including Post 16 funding for our own Maintained Special schools (£0.216m for 5 months) brings our total High Needs funding to £28.4m in 2019/20. (A potential deficit of £1.5m = £28.4m - £29.9m).
- 3.3 In respect of non-schools DSG balances, the High Needs balances were completely exhausted in 2017/18, and in 2018/29, only a contribution from use of Early Years balances will keep the DSG deficit down overall, to a level below the DfE's 1% excess deficit target, based on the whole of DSG spending, which would now trigger an immediate report of action to Schools Forum and the DfE from this year onwards. The Local Authority has no General Fund balances available to bail out any deficit on the DSG, and so has little option but to use any underspending it can find, to help balance the books, and this includes Early years, the only area where there is likely to be an underspending in 2018/19. However, using this may be considered a risk, given that Early Years funding may be reduced in 2019/20 due to a fall in 2-year-old numbers entering childcare per the latest headcount census.
- 3.4 However, given that Early Years is forecasting an underspend of £0.600m in this year, and assuming this is taken towards reducing the overall DSG deficit caused by High Needs overspending, this would potentially leave an overall deficit balance of around £1.3m to be carried forward on High Needs into 2019/20. Such a position needs to be addressed with a clear plan, to try to bring it down over the next 12-18 months.
- 3.5 Assuming a level of deficit on High Needs in 2019/20 of £1.5m, as indicated above, and unless actions are taken to alleviate the situation in the year, this could lead to a deficit carry forward of around £2.8m by the end of 2019/20.

4. High Needs Review observations

- 4.1 The High Needs review has now been concluded by the consultant, Michael Watmough, and the findings reported, and it contains over 100 recommendations to improve the service.
- 4.2 Although costs of High Needs provision were examined as part of the review, only suggestions have been made, as to how the Authority may reduce High Needs

spending. These are more around process and collaboration, rather than direct actions to drastically reduce costs. The consultant believes that direct and swift actions to reduce expenditure across the service, may not achieve the outcomes expected and lead to its rapid deterioration, with inclusive schools perhaps failing to manage, leading to unacceptable falls in service delivery. The consultant suggests that getting process right and working in partnership with all concerned across High Needs, should lead to a shared understanding and ownership of spending; and a to greater transparency in service delivery, and therefore to a more efficient allocation of scarce resources. This will take time and careful consideration, and include consultation and collaboration of all concerned. It may also require possible culture changes both operationally and through a lowering of expectations in the future. Strengthening In-house provision is also seen as key to reducing costs, by deflecting parents away from demanding expensive day placements, and being able to offer at least equivalent or better levels of service locally.

- 4.3 Greater consideration of funding High Needs top ups to schools, is also seen as a key to changing expectations and perceptions on how much funding is provided and how it is used to best effect for the good of many children, rather than on a case by case basis, where resources may not be as maximised as they could be. Linking funding to outcomes is also considered a valuable tool, to ensure best value for money; coupled with regular reviews of funding, to ensure it is adjusted according to a child's needs.
- 4.4 Since September last year, the High Needs assessment team has introduced a triage service helping schools manage their high needs funding better, and helping reduce the need for significant top up increases. This is having some effect on the level of increased costs previously experienced. Further work is required to help the panel assess how resources are being allocated to schools, what alternative options for funding there are, if any, and to ensure resource allocations are maximised to best effect in achieving given outcomes.
- 4.5 Commissioning of places for pre-and post 16 is also seen as a key area for change, to secure the best deals and outcomes for children. Negotiating placement costs more rigorously and how top up funding is used to best effect, would ensure best value is maintained, linked carefully to expected outcomes.
- 4.6 There is much work to do if costs are to be reduced, and it is probably unlikely that the levels of deficit mentioned here can be reduced significantly in the short term, given the recommendations of the consultant. There is however, no time to lose in starting consideration of some of the changes required. High Needs costs, in the meantime, will need to be tightly managed and funding more closely tied to need and outcomes, whilst a broader strategy is developed to improve the service, with all parties working and communicating more closely together, so that change is shared going forward.
- 4.7 It is hoped that any cost reductions will help alleviate the need to seek funding contributions from Schools and Early years in the future, and to move the service towards a self-sustaining balanced budget position. However, this will be dependent on the actions taken in the coming year(s) to address spending issues.

4.8 Financial services will continue to carefully monitor the High Needs budgets and to report back to Schools Forum on the budget position throughout 2019/20.

5. Recommendations

5.1 Schools Forum are recommended to note this report and the financial forecast for High Needs in 2018/19 and 2019/20; and to note the intention to bring regular budget reports on High Needs throughout 2019/20.

