

SCHOOLS FORUM**19th June 2019****Report of the Executive Director for Children's Services****High Needs Resources and Spend 2020-21 onwards****1. Purpose of the Report**

To inform the Schools Forum of the current position regarding high needs funding and the need to address the over-commitment of the grant.

2. Information and Analysis**Background**

If we compare actual high spends with the grant for 2018-19 the following summary emerges, further details are provided in Appendix 1:

Table 1 – 2018-19 High Needs Grant I/E account

	Actual	
	£m	Comment
High needs DSG income	69.915	Gross figure before recoupment
High needs expenditure	73.531	Inc. funds recouped by ESFA & additional £1.6m
Grant overspend	3.616	Funded by general DSG reserve

At 31st March 2019 the Council's uncommitted general DSG reserve had a closing balance of £0.894m net of the requirement to fund the over-commitments of both the high needs and early years blocks for 2019-20.

Given the above it seems likely that the Council's general DSG reserve will be exhausted by the end of 2019-20. In order to ensure that future high needs spending is kept within the high needs grant limit, one or more of the following are needed:

Option 1 - An increase in high needs funding from the national CSR (Comprehensive Spending Review) settlement;

Option 2 - A review/prioritisation of resources that support our local SEND offer;

Option 3 - An increase in charges to schools and academies for services funded by the high needs block; and/or

Option 4 - A local transfer of funding from other sources e.g. the Schools Block.

Local authorities' high needs' funding levels for 2020-21 will be determined as part of the next national spending review and the Secretary of State for Education has been supportive of the need to increase investment in education, including for SEND. However, allocations to LAs might not be confirmed until towards the end of 2019 which makes planning difficult.

There are several other points and risks to bear in mind for 2020-21. The first is that the LA understands the additional high needs funding announced in December 2018 for both 2018-19 and 2019-20 is not at this point in the baseline going forward, hence the additional £1.6m received by Derbyshire is not guaranteed.

Second, even if the DfE were to announce additional funding for 2020-21, there is no guarantee that the increase would be sufficient to wipe out the current projected underlying shortfall in Derbyshire, estimated to be at least £2m.

Third, Derbyshire's high needs allocation is protected as it is above that calculated by the pure national high needs funding formula. There is a risk that any additional funding from the spending review might be partially offset by reductions in this protection.

Finally, the Authority needs to determine whether there are other high needs priorities which should be considered for funding. An example would be the funding rates for Element 3 top ups allocated to schools, academies and colleges to support pupils and students with high needs. The recent constraints on the DSG have had the effect of freezing these rates at the same levels since 2015-16. This has meant individual institutions have had to meet any gaps between costs and funding from their other resources. By way of context, a 1% increase in funding (broadly equivalent to a 2% increase in multipliers for special schools, ERS and PRUs as their place values are fixed) would result in these estimated increases:

Table 2 – Estimated cost of increase in element 3 support

Sector top up	Cost per (£m)	Sector	Cost per (£m)
Mainstream (1% on rates)	0.120	Colleges Post 16 (2%)	0.067
Special schools multipliers (2%)	0.234	ER schools multipliers (2%)	0.034
PRU multipliers (2%)	0.030	TOTAL	0.485

The cost of any additional support would have to be met from one of the four options listed above.

Planning position going forward

Given the current uncertainties regarding future years' settlements it would be prudent to identify how any residual shortfall might be met locally rather than through increased national funding (Option 1). The priority has to be to close the underlying shortfall, estimated to be around £2m. A brief summary of the local options is provided below.

Option 2 – this requires the Authority to review its SEND offer and prioritise its use of resources. As the Forum is aware the Authority has recently commissioned Isos to review its SEND provision and the recommendations arising from that review have been shared at tonight's meeting.

Whilst the report will inform the Authority's strategic thinking it is unlikely that the review will directly trigger savings, at least in the short to medium term. In the interim, some other measures the Authority could consider include:

- a) Reviewing provision to ensure that it is focussed on pupils with high needs i.e. that the high needs block is not meeting costs which should more properly be met elsewhere i.e. by a traded service;
- b) Continuing to ensure that provision is commensurate with pupils' needs;
- c) Identifying where services could be delivered at a lower cost; and/or
- d) Reducing the top up rates to providers.

Option 3 – this would need to be exercised with care. Services for children with high needs, over and above the £6k funded by each individual school or academy, have to be met from the high needs block. However, within this broad requirement the Authority could consider measures such as levying additional charges e.g. for pupils excluded from school.

Option 4 – this is specific to the Schools Forum and, with the Forum's permission, allows the transfer of up to 0.5% of the Schools Block to the High Needs Block: transfers in excess of this percentage require the approval of the Secretary of State for Education. Based on the 2019-20 Schools Block excluding the growth fund, a 0.5% transfer would be equate to around £1.20m (primary) and £0.99m (secondary).

The 2018 DfE guidance states "*Local authorities wishing to make a transfer should consult with all local maintained schools and academies, and the schools forum should take into account the views of the schools responding before giving their approval.*"

Derbyshire will continue to explore Options 2 and 3, however it is unlikely that this will generate sufficient savings to close the predicted high needs gap, particularly for 2020-21. The uncertainties regarding Option 1 - the national funding settlement – both in terms of the scale of any increase and the timing of its announcement, mean that the Authority considers it has no choice at this stage but to plan on the basis that a 0.5% transfer from the Schools Block to the High Needs Block will be required for both 2020-21 and 2021-22. A two year request is considered the minimum necessary to allow for local strategic solutions to be developed and contribute to the longer term financial savings requirement.

In order to meet the DfE's consultation requirements the Authority will publish its proposals early in the 2019/20 academic year and will invite stakeholders to respond. The Authority's consultation will set out the reasons for the request, the financial impact on schools' and academies' formula budgets and the implications of not making the transfer.

The Authority is aware of the funding issues facing mainstream schools and that any reduction in multipliers would serve to add to existing pressures. The School Forum will be asked for a decision on this key issue later that term.

If the Authority were ultimately to receive a significant increase in its high needs funding for 2020-21, it would reconsider whether a transfer is still appropriate. If the increase were sufficient to meet the budget shortfall then a transfer would only be made it was felt that other funding pressures in the high needs block should be prioritised e.g. increases in the element 3 top up values.

The high needs block will be the subject of further reports to the Schools Forum during the autumn and spring terms.

3. **Other Considerations** In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, finance, human resources, legal & human rights, environmental, health, property and transport considerations.

4. **Background Papers** Files held in Children's Services Finance.

5. **Executive Director's Recommendation**

That the Schools Forum notes the report and gives its initial views on the potential options to close the projected high needs block shortfall.

Jane Parfremment
Executive Director for Children's Services

High Needs Block income and expenditure 2018-19		
		2018-19
		Actual
		£
Income		
	Grant income	<u>-69,915,083</u>
Services		
SEN		
	Sight Impaired SS	647,816
	Phys Impaired SS	482,377
	Hearing Impaired SS	584,008
	Special Ed Equipment	247,268
	Specialist services oheads	191,876
	SSSEN	4,568,757
	Contribution to Ed Psychologists	400,000
	Contribution to Early Years SEN	256,579
	Sub total - SEN services	7,378,682
Behav.		
	Behaviour Support Service	1,257,965
	Integration Pathways	2,963,009
	Positive Play	193,926
	Derbyshire Nurture	302,585
	Clawback for excluded pupils - Primary	-76,362
	Clawback for excluded pupils - Secondary	-200,104
	Sub total - Behaviour services	4,441,019
Access & Inclusion		
	Virtual School	925,821
	Contribution to Early Help services & SCIP	695,503
	Contribution to Advisory service	108,894
	Inclusion	1,169,000
	Sub total - other services	2,899,218
Places and top ups		
Academy		
	Pre 16 and all post 16 places (incl FE):	3,555,500
Nursery		
	SEN ETAEYS	241,112
	SENTA Nursery units	124,184
	SENTA Nursery Schools	68,797
	Nursery SEN SOY budgets	158,057
	Sub total - nursery	592,150
Primary		
	SENTA - Derbyshire Schools & Academies	6,461,463
	ERS - Derbyshire Schools & Academies	983,591
	OLA Schools and academies	212,261
	ERS Pre 16 (schools only)	486,000
	Primary SOY budgets	209,887
	Sub total - primary	8,353,201

High Needs Block income and expenditure 2018-19		
		2018-19
		Actual
		£
Secondary		
	SENTA - Derbyshire Schools & Academies	5,087,167
	ERS - Derbyshire Schools & Academies	1,140,684
	OLA Schools and academies	357,447
	ERS Pre 16 (schools only)	400,000
	Sub total - secondary	6,985,298
Special		
	Special Places - Derbyshire Schools	6,913,168
	Special Top-ups - Derbyshire Schools & Academies	11,600,790
	Independent & Non-maintained	6,143,576
	Contribution to complex cases pooled budget	2,026,728
	Other Local Authority Schools & Academies	1,655,566
	Sub total - special	28,339,828
Other		
	Colleges Post 16 - places and top ups	4,147,346
	Contribution to social care education placements	850,000
	Sub total - other	4,997,346
Contingency		
	SEN contingency/Vulnerable Children's Fund	686,688
AP		
	PRU Places	2,082,254
	PRU Top-ups	1,502,061
	PRU Transport	504,757
	Behaviour Support - TAs in schools	346,560
	Hospital Tuition	27,063
	Sub total - alternative provision	4,462,695
Other		
	Education Direct Payments/ Personal budgets	289,534
	Contribution to SEN Home to school transport	80,000
	SEN AP	209,792
	Capital	260,494
	Sub total - other high needs spend	839,820
	Total high needs spend	<u>73,531,445</u>
	Overspend	<u>3,616,362</u>
File HNB summary - outturn 18-19 v2.xls		