

Dear Colleague

LEICESTERSHIRE SCHOOLS' FORUM

I would like to invite you to a meeting of the Leicestershire Schools' Forum to be held on **Monday, 26 November 2018 at 2.00 pm at Beaumanor Hall, Beaumanor Drive, Woodhouse, Leicestershire** with the room being available from 1.30 pm.

Please see below for the agenda for the meeting.

Yours sincerely

Karen Brown / Bryn Emerson (Tel. 0116 305 6432)

E-Mail **karen.m.brown@leics.gov.uk / bryn.emerson@leics.gov.uk**

AGENDA

| <u>Item</u> | <u>Paper</u> |
|--|--------------|
| 1. Apologies for absence/Substitutions. | |
| 2. Minutes of the Meeting held on 24 September 2018 (previously circulated) and matters arising. | 1 |
| 3. Schools Budget Update | 2 |
| 4. High Needs Block Recovery Plan | 3 |
| 5. Any other business. | |
| 6. Date of next meeting. | |

Monday 26 November 2018, 2.00 – 4.00 pm at Beaumanor Hall

Proposed Dates to be agreed:

Tuesday 12 February 2019

Monday 10 June 2019

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**Minutes of a meeting of the Leicestershire Schools' Forum held at Beaumanor Hall
on Monday 24 September at 2.00 pm**

Present

| | |
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| Nick Goforth | Secondary Academies Headteacher |
| Kath Kelly | Secondary Academies Headteacher |
| Callum Orr | Secondary Academies Headteacher |
| Chris Parkinson | Secondary Academies Headteacher |
| Chris Swan | Secondary Academies Governor |
| Suzanne Uprichard | Secondary Academies Governor / PRU |
| Jane McKay | Primary Academy Headteacher |
| Jean Lewis | Primary Academy Governor |
| David Thomas | Primary Academy Governor |
| Karen Allen | Primary Maintained Headteacher |
| Martin Turnham | Primary Maintained Headteacher |
| Ros Hopkins | Special Maintained Headteacher |
| Graham Bett | DNCC Representative |

In attendance

Ivan Ould, Lead Member, Children and Family Services
Jane Moore, Assistant Director, Education and Early Help
David Atterbury, Head of Service, Education Sufficiency
Alison Bradley, Head of Service, Education Quality and Inclusion
Jenny Lawrence, Finance Business Partner, Corporate Resources

| | | Action |
|-----------|--|---------------|
| 1. | <p>Election of Chair and Vice-Chair</p> <p>Karen Allen was elected Chair of the Schools' Forum for the 2018/19 academic year.</p> <p>Nick Goforth was elected Vice-Chair of the Schools' Forum for the 2018/19 academic year.</p> | |
| 2. | <p>Apologies for Absence/Substitutions</p> <p>Apologies for absence were received from Bill Nash, Clive Wright, Dave Hedley and Catherine Drury.</p> | |
| 3. | <p>Minutes and Matters Arising</p> <p>The minutes of the meeting held on Monday 20 June 2018 were agreed as a true and accurate record.</p> <p><u>Matters Arising</u> Jenny Lawrence confirmed that HR had provided information to schools</p> | |

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| | <p>via briefings on the pay award.</p> <p>Jenny stated that the announcement on the teachers' pay grant is unclear at present as to what it means for individual schools and whether it will fully meet costs.</p> <p>Kath Kelly commented that the grant is for 18 months and stops mid-year. Jenny stated that DfE have not confirmed any funding arrangements past March 2020.</p> | |
| 4. | <p>2018/19 Schools Budget Update</p> <p>Jenny introduced the report which presents the performance of the 2018/19 Schools as recorded at Period 4 (July).</p> <p>Jenny commented that the high needs pressures continue as demand for places increase. New ASD provision has opened during the last two years and work on developing further provision for ASD and SEMH is taking place. Jenny added that nationally there was a growing concern about the level of funding and paragraph 6 sets out the position in other local authorities. Paragraph 7 in the report sets out the factors that have contributed to the high needs overspend. Jenny highlighted the table which refers to the increase in the number of pupils attending 16+ FE provision. This increase is due to the extension of the age range from 2-19 to 0-25 under SEND reform that was never fully funded.</p> <p>Jenny stated that there is a growing number of children who have medical needs preventing school attendance and therefore continues to put further pressure onto the Specialist Teaching Service.</p> <p>Nick Goforth asked whether the Wigston and Hinckley provisions were accommodating pupils previously in higher cost provision or preventing a need for higher cost provision. Jane Moore stated that some pupils were from independent provision and some pupils were waiting for a plan whilst in mainstream school.</p> <p>Graham Bett asked what plan B was. Jane stated that where there were no back up plans and the cost could fall onto the local authority but to work together on how we think we are going to meet the cost.</p> <p>Schools' Forum noted the Schools' budget position as at 31 July 2018 and the reasons for that position.</p> | |
| 5. | <p>2019/20 School Funding</p> <p>Jenny introduced the report which sets out the funding arrangements for 2019/20.</p> <p>Jenny stated that the proposals for 2019/20 were now published and the structure for the National Funding Formula was unchanged. Jenny outlined the key points as noted in the report.</p> <p>The local authority took advantage of the loop hole in the 2018/19 arrangements with regard to the minimum per pupil funding for key stage</p> | |

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| | <p>3 pupils at the same rate as key stage 4. Jenny stated that as expected the DfE had closed this loophole. The DfE set the minimum per pupil funding rates for 2019/20 as outlined in the report. This data would be looked at over the next few weeks to establish what it means for schools.</p> <p>Jenny stated that premises funding remains on historic spend. Premises costs for 2018/19 fell below that for 2017/18 and funding was diverted to schools' growth but that costs could increase moving into 2019/20.</p> <p>In relation to funding pupil growth the DfE will change the allocation to a formula based again on historic data in 2019/20 and a calculator will be available in autumn to local authorities to estimate the level of funding to be received. The current growth policy will remain as it is until such time further information is available from the DfE and a reassessment of housing growth is undertaken.</p> <p>Jenny stated that funding protection for the final age range changes into Leicestershire schools still remains an area of concern and would not be reflected in the DfE's growth allocation for 2019/20.</p> <p>Martin Turnham referred to paragraph 11 and asked if there were any plans to top slice school funding order to create a growth fund. Jenny stated that there were no plans to in 2019/20 but it remains a possibility for the future.</p> <p>Kath Kelly referred to the increase in the pay award for the lower band associate staff and how that will close the gap. Kath added that the calculation of maintaining the differential and the impact on the school's budget is unmanageable. Kath asked Jenny if anything further had been announced on this. Jenny commented that the pressures are not being recognised and work will be starting to help schools with their financial planning going forward. Jenny added that this work may be delayed as additional capacity was required, recruitment to an additional post has failed to attract suitable candidates. Jenny added that information had started to be collected from special schools and conversations with LEEP will be held in the autumn regarding academy representation.</p> <p>Schools Forum noted the report and the 2019/20 funding arrangements.</p> | |
| 6. | <p>Children with Medical Needs</p> <p>Alison Bradley presented the paper to seek support from Schools' Forum in recovering the average per pupil funding for alternative provision currently commissioned by the CMN team for Children with Medical Needs.</p> <p>Alison explained that this will be a part of a wider review of Education Inclusion Services to develop support structures to increase the opportunities for children to remain in the school environment whilst reducing the need for high cost long term external provision.</p> <p>The paper analyses the key risk to schools in introducing the arrangements from 1 January 2019 to recover the average per pupil</p> | |

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| | <p>funding.</p> <p>Chris Swan asked if the lack of capacity within the CAMHS Team could be looked at when reviewing the service and for schools to be directed to the CME Team. Alison stated that the possibility of wellbeing practitioners working in different behaviour partnership sectors is to be considered.</p> <p>Ros Hopkins stated that pupils will certainly be out of education because of health care needs which has a massive impact on special schools because funding for school nurses has been withdrawn by the NHS. Ros asked if there was a connection to these two issues. Jane stated that the cost of educating pupils outside the county as part of significant medical needs is far more than the £16 being recouped. It was noted that there are children out of school for a period of time e.g. broken leg and 51% of children are absent with anxiety.</p> <p>Jane stated that alternative education would still continue but would like to provide a holistic package with schools to get pupils back into mainstream school.</p> <p>Martin Turnham asked if all primary school children in catchment area whether they go or not to the school are liable to this. Jane stated that the charge was only in respect of children on the school roll.</p> <p>Jane stated that the challenge is that conversations need to be had as some schools use the service far more than others and it would be helpful for Schools' Forum to support this.</p> <p>Karen Allen stated that schools are being hit twice in terms of children with medical needs (some disparity) and the cost to schools for a small group of children with high needs that are not recognised but are recognised by the local authority. Jane understood this and completely supports schools on this.</p> <p>Schools' Forum noted the current position for CMN provision as set out in the report.</p> <p>Schools' Forum gave approval 'in principle' to recover costs from all schools of high needs placements for children with medical needs with effect from 1 January 2019.</p> | |
| 7. | <p>SEND Sufficiency</p> <p>Jane gave a presentation to the meeting on SEND Sufficiency and Provision. Jane stated that the number of EHCP's had risen by 33% over the last 5 years and in particular the number of post-16 EHCPs. Jane added that one of the priorities is to improve the quality and sufficiency of SEND education provision and services by supporting mainstream schools and settings to develop their SEND provision and develop local specialist services to ensure sufficiency of places in high quality specialist provision across a continuum.</p> <p>Jane stated that the 'High Needs Block' has been under financial</p> | |

pressure in recent years and moved from an underspend of £2.8m to a projected overspend of £3.4m for 2018/19. Previously overspends have been met by using DSG reserves but reserves have now been fully expended.

The difference in cost per pupil differs significantly across types of provision. Currently in Leicestershire 7.9% of pupils are in independent special schools and this contributes significantly to the overspend of the high needs budget. However there will always be a need for some sort of independent .

Jane outlined the current provision in Leicestershire. The special schools are oversubscribed and the FE colleges are working with the local authority to develop their curriculum to meet the needs of SEND learners. This term SEND efficiency and provision will be considered with potentially expanding where it is currently working well and to build new provision in Leicestershire where need can be evidenced. The local authority is also proposing to develop SEMH provision across both primary and secondary, communication and interaction provision across both primary and secondary, FE Specialist Provision and a new area special school. The first round of provision was planned to be in place in September 2019 and with further developments in following years.

Jane stated that a letter was sent out to a variety of recipients including schools about the proposals and a further letter would be sent in early October asking for expressions of interest to develop new provision.

Jean Lewis asked how the local authority was proposing to decide the specialities or the possibilities for delivery in the new unit. Jane stated that expressions for SEMH expressions and exploring additional capacity in special schools would be matched to pupil need and numbers. Jean stated there would be transport issues if provision was not locality based.

Martin Turnham asked if the local authority was approaching all stakeholders in Leicestershire. Jane replied that Chief Executives of MATs, heads/principals, chairs of governors and behaviour partnerships would be approached.

Nick Goforth asked about start-up costs and if there is money to build a provision or refurbish. Jane stated that there was funding for both. Ros Hopkins stated that this is a really positive step forward.

Chris Swan asked if this goes far enough to reduce the number of high cost places. Jane stated that the pupil numbers and needs are the driver for change in provision and is an increase in places over and above 485 but numbers of high cost places need to reduce in order to deliver reduced costs.

Callum asked what Bedfordshire's strategy was as their numbers are 1.1% in independent special schools. Jane stated that Leicestershire do not have a mixed locally economy; other local authorities have local provision and others are higher excluding and do not manage children as Leicestershire do.

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| | <p>Graham Betts stated that he welcomed this strategic thinking and fully supported this going forward.</p> <p>Karen Allen asked about the pupils at the short stay school in terms of exclusion. Jane stated there would be no secondary short-stay school as this was where the strong links with the behaviour partnerships work well.</p> <p>Jane stated that the success of this will be who comes forward and equally how the local authority is going to develop it.</p> | |
| 8. | <p>Any Other Business</p> <p>There was no further business.</p> | |
| 9. | <p>Date of Next Meetings</p> <p>Monday 26 November 2018, 2.00 – 4.00 pm at Beaumanor Hall</p> <p>Proposed Dates to be agreed:</p> <p>Tuesday 12 February 2019 Monday 10 June 2019</p> | |



SCHOOLS FORUM

Finance Update

26 November 2018

| Content Applicable to; | | School Phase; | |
|--|---|------------------|---|
| Maintained Primary and Secondary Schools | x | Pre School | x |
| Academies | x | Foundation Stage | x |
| PVI Settings | x | Primary | x |
| Special Schools / Academies | x | Secondary | x |
| Local Authority | x | Post 16 | x |
| | | High Needs | x |

Purpose of Report

| Content Requires; | | By; | |
|-------------------|---|-------------------------------------|---|
| Noting | x | Maintained Primary School Members | |
| Decision | | Maintained Secondary School Members | |
| | | Maintained Special School Members | |
| | | Academy Members | |
| | | All Schools Forum | x |

1. This report sets out for Schools Forum's information a number of financial issues including the basis for the 2019/20 School Funding Formula.

Recommendations

2. That Schools Forum notes the content of this report and disseminate the information within it to represented groups.

2019/20 Dedicated Schools Grant

3. The basis for the 2019/20 Dedicated Schools Grant (DSG) is unchanged by the Department for Education with the exception of a new methodology for funding local authorities for school growth.

| Schools Block | | |
|--|---|--|
| National Funding Formula (NFF) Schools Allocations | Settlement is aggregated from nationally set funding rates attached to pupil characteristics recorded on the October 2018 school census | <p>Unchanged from 2018/19. Fully passported to schools in line with DfE allocation methodology with the exception of sparsity. Sparsity funding used to adjust the ceiling. Some changes to the national funding rates are set out in following paragraphs</p> <p>Will provide for at least a 1% per pupil increase for each school in 2019 /2020 through the NFF compared to their 2017 to 2018 baseline</p> <p>The ceiling on gains will be 3% higher than 2018/19 and 6.09% greater than the 2017/18 baseline</p> |
| School Premises | Set at the 2018/19 expenditure levels being the aggregated value of rates and rent payments to schools | Unchanged from 2018/19. Schools will be fully funded for rates and allowable rent payments. Any balancing adjustment required as a result of increased or decreased costs will be made against the growth allocation |
| Growth | <p>Provides local authorities with revenue funding to support the basic need for school places.</p> <p>Allocation methodology changed for 2019/20 with funding based on pupil growth at middle super output areas</p> | <p>The use is unchanged from 2018/19. Retained by local authority with the approval of the Schools Forum to;</p> <ul style="list-style-type: none"> • fund future growth in new schools • meet the cost of funding protection for schools impacted by age range change in other schools in line with the approved funding mechanism |

| | | |
|---------------------------------------|--|--|
| High Needs | <p>Provides local authorities with funding to support pupils with high needs.</p> <p>Protection funding of c£4m is received and 43% of the allocation is based on historic costs</p> | <p>The funding floor factor in the high needs national funding formula for 2019 to 2020 provides for every local authority to receive an underlying increase of at least 1.0% per head of 218 population, compared to the amount of its DSG that it had planned to spend on high needs in the 2017 to 2018 baseline.</p> <p>All allocated to high needs expenditure and insufficient to meet need. A report setting out the position on high needs expenditure and proposed recovery plan is the subject of a separate agenda item</p> |
| Early Years | <p>Provides local authorities with funding to meet its duties in relation to the provision of childcare to disadvantaged two year olds and 3 & 4 year olds</p> | <p>Allocated to childcare providers by local formula, 5% retained by the local authority in line with national guidance to support the early years' service</p> |
| Central Schools Services Block | <p>To meet the local authorities statutory responsibilities that remain for all schools, meet historic costs such as past early retirement & pensions commitments triggered by redundancy and costs met centrally on behalf of all schools such as the national contract for copyright</p> | <p>Held and managed centrally by the local authority</p> |

4. The DfE have made some changes to the 2019/20 NFF funding rates;
- Primary Prior Attainment – nationally the rate per eligible pupil has reduced from £1,055 in 2018/19 to £1,022 in 2019/20. The DfE cite an increased cohort of eligible pupils as the reason for the decrease. Overall the impact is thought to be minimal as increased eligibility is likely to offset the rate reduction.
 - Minimum per Pupil Funding – rates are confirmed as;

- Primary £3,500, incorporating the planned £200 per pupil increase compared to 2018-19
- Key Stage 3 only schools £4,600, set for the first time but unchanged from the 2018/19 secondary rate
- Key Stage 4 only schools £5,100, new rate for 2019/20
- All though secondary schools £4,800, incorporating the planned £200 per pupil increase compared to 2018-19

This per pupil increase is not capped by the ceiling on gains.

5. It should be recognised that all guarantees relate to per pupil funding, as such schools may not see an overall increase in budget of this level. Schools with falling rolls will see a reduction in their overall budget and should plan accordingly.
6. Whilst the DfE have issued provisional DSG allocations for the Schools, High Needs and Central Schools Services Blocks these will be updated for the October 2018 census and revised allocations released in December. Local authorities are required to submit their funding formula to the Education and Skills Funding Agency (ESFA) by 21 January 2019 and issue budget to maintained schools by 28 February.
7. Other than the national rate changes referred to in previous paragraphs there are no changes to the Leicestershire school funding formula which will continue to mirror the NFF. There is no top slice to school budgets in order to move the 0.5% from the schools to high needs blocks, Leicestershire is one of just a few local authorities not to do so in 2018/19. Should high needs cost continue to increase a topslice cannot be ruled out in future years.

Growth Funding

8. Growth funding is allocated to local authorities in order to meet the cost of commissioning additional school places required to fulfil its sufficiency duty. The DfE specify that the growth fund can only be used only to:
 - support growth in pre-16 pupil numbers to meet basic need
 - support additional classes needed to meet the infant class size regulation (this funding was delegated to Leicestershire schools following consultation and as such is not payable under the Leicestershire growth policy)
 - meet the costs of new schools
9. Local authorities are required to adjust pupil numbers where there is significant reorganisation and / or age range changes. The school funding system makes no funding available for demographic growth or growth arising from popularity changes within schools.
10. The baseline for the 2018/19 growth allocation included the cost of age range protection; as such this will remain funded from this area. The revenue cost of commissioning a new school ranges from £0.5m to £0.76m for a primary and £2.25m to £2.5m for a secondary depending upon size and opening arrangements. 23 new primary and 2 new secondary schools are expected to be built in Leicestershire in the medium to long term.

11. A budget for school growth will remain in place for 2019/20, the value of which cannot be determined until the growth allocation is confirmed. An underspend in the 2018/19 school growth budget will transfer to the DSG reserve at the end of the financial year.
12. A revision to the Leicestershire policy for funding growth will be completed in the spring term and will be presented to Schools Forum for approval following consultation with schools.

Teacher Pay and Pension

13. Following the teacher pay award the following rates have been set by the DfE for the teachers' pay grant based upon the October 2017 school census;

| Per Pupil Rate | 2018/19 | 2019/20 |
|-----------------------|----------------|----------------|
| Primary | £16.40 | £28.29 |
| Secondary | £26.54 | £45.56 |
| Special per place* | £65.65 | £113.46 |

* The grant for special schools was allocated to the local authority in a lump sum based upon the number of specialist places commissioned as set out in the place commissioning submission to the DfE, we are proposing to pass this on to special schools using the same allocation basis.

14. The ESFA have indicated that the teacher's pay grant will continue into 2020/21 but is likely to be absorbed into the NFF. There is no expectation of a further grant for any 2019/20 pay award.
15. A significant increase in the employer's contribution to the Teachers' Pension Scheme is expected in September 2019, the DfE have committed to providing funding to schools to meet the additional costs. It is unclear what this will be but the expectation is for a grant mechanism in line with that for the pay grant with the same future expectations.
16. A number of local authority staff are employed on teachers' pay and conditions, largely within the Specialist Teaching Services and Early Years. Whilst schools will receive grants to meet the additional costs no such grant is made available to the local authority, the cost increases the pressure on the high needs block and is required to be met from within the maximum retention of 5% of the early years block.

Support Staff Pay Structure

17. Leicestershire County Council has its own locally agreed pay scales but follows the recommendations arising from national pay bargaining. Over the period of time, largely because of pay awards aiming to lift lower pay grades and the impact of the National Living Wage, the differentials between grades at the lower end of the pay spine have reduced and grades have become squashed. In considering the implementation of the 2019/20 pay award it has been necessary to address these issues.

18. A new salary structure is subject to consultation. The structure is based upon a number of key principles;
- Must meet the Design Principles described below in an affordable way;
 - Follow the national guidance as far as possible and where local decisions have had to be made, have a clear rationale in place.
 - Avoid moving away from national pay bargaining.
 - Minimise any disruption to the Hay Job Evaluation scheme, but review as necessary.
 - Take into account recruitment & retention challenges where possible.
 - Undertake an EHRIA and equal pay audit to assess how changes could impact all affected employees.
 - Maintain reasonable and appropriate differentials between pay points and grades, to include the effect of compression in Grades 2 and 3 and take a logical approach to grade structures and incremental progression.
 - Be of no detriment to any grade
 - Ensure more than one pay point in the lowest grades
19. The implications will differ between schools and the academies that adopt the Leicestershire pay structure but are estimated, including on-cost increases, to be between 4% and 7% of support staff pay.

Other Grants

20. The Chancellor announced £400m of additional funding in the October budget which was labelled for 'Little Extras'. No further information has been made available on the amount which has been quoted to be £10,000 per primary school and £50,000 per secondary school. The announcement suggests that this will be a one off grant for 2018/19 and is a capital grant.
21. Local authorities will receive post 16 bursary funding to support students at maintained special schools using the data submitted in the annual place submission, the funding is aggregated and paid as a lump sum to each local authority. This funding will be paid to maintained special school as an amount per pupil of £94.14.
22. The local authority received a capital grant of £0.2m for maintained schools from the Healthy Pupils Fund, this has been allocated in equal amounts of £2,223 for primary, secondary and special schools and £1,000 for nurseries. Academies can access this funding through their Multi Academy Trust if the trust has opted to receive a school condition capital allocation. Voluntary Aided schools access funding through the Locally Coordinated Voluntary Aided Programme (LCVAP) through the Diocese.

Resource Implications

23. There are no specific financial implications within this report for the local authority. It does contain a number of items that schools need to consider within their 2019/20 budget planning. Finance briefings have been available for business managers.

Background Papers

Report to Schools Forum 28 February 2018 – 2018/19 Schools Budget

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=5391&Ver=4>

Officers to Contact

Jenny Lawrence

Finance Business Partner – Children and Family Services

Tel: 01163056401

Email: jenny.lawrence@leics.gov.uk

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SCHOOLS FORUM

26 November 2018

HIGH NEEDS RECOVERY PLAN

| Content Applicable to; | | School Phase; | |
|--|---|----------------------|---|
| Maintained Primary and Secondary Schools | x | Pre School | x |
| Academies | x | Foundation Stage | x |
| PVI Settings | x | Primary | x |
| Special Schools / Academies | x | Secondary | x |
| Local Authority | x | Post 16 | |
| | | High Needs | x |

Purpose of Report

| Content Requires; | | By; | |
|--------------------------|---|-------------------------------------|---|
| Noting | x | Maintained Primary School Members | |
| Decision | x | Maintained Secondary School Members | |
| | | Maintained Special School Members | |
| | | Academy Members | |
| | | All Schools Forum | x |

1. This report builds upon the presentation from the Schools Forum meeting on 24 September 2018 setting out the position in terms of high needs provision and presents the proposals for the High Needs Recovery Plan

Recommendations

2. That Schools Forum note and support the proposals set out for the High Needs Recovery Plan.
3. That Schools Forum note the financial model within the High Needs Recovery Plan
4. That Schools Forum note and support the arrangements for the management of the Dedicated Schools Grant deficit.

5. That Schools Forum approve the carry forward of the estimated 2018/19 Dedicated Schools Grant deficit to 2019/20.

Purpose of report

6. This report sets out the High Needs Budget position and proposed recovery plan.

Background

7. The High needs Block of the Dedicated Schools Grant (DSG) has overspent and has been funded from DSG reserves built up over a number of years. For 2018/19 there are insufficient reserves to offset the deficit and an overall DSG deficit is forecast. Under the grant conditions for DSG a deficit can be carried forward to be the first all on the following years funding with the approval of the Schools Forum, should this not be approved a local authority has the right to seek adjudication from the Secretary of State.
8. Nationally there are growing concerns about the level of funding within the High Needs Block;
 - The Association of Directors of Children's Services (ADCS) undertook a survey of financial pressures and reported that of 85 local authorities in 2016/17 only 17 reported their spend was in line with the grant and that the remaining 68 authorities had an aggregated overspend of £139.5m.
 - Three authorities are subject to judicial review over savings planned to reduce high need expenditure. The High Court has backed campaigner's objections to planned savings of £7m over three years in Bristol. Surrey plan savings of £20m and Hackney £5m, Judicial Reviews will consider the position in the autumn.
 - Overspends are being reported in most Council's. At a regional finance officers network meeting all authorities were reporting current and estimated future high needs overspends and an expectation of reserves being fully utilised within the 2018/19 financial year.
9. The National Association of Headteachers (NAHT) reports;
 - A shift of 5% of pupils from mainstream to specialist provision between 2010 and 2017, curriculum reform is stated to be posing significant challenges to pupils with SEND.
 - An increase of 17% in SEND pupils attending independent schools between 2010 and 2017
 - An increase of 46% in the number of pupils educated in alternative provision or Pupil Referral Units (PRU) between 2013/14 and 2017.
 - An increase of 151% in pupils being home educated or educated outside a school setting
 - A 27% increase in appeals to SEND Tribunals between 2015/16 and 2017/18, with an 81% increase in the number heard. Almost 80% of the outcome of the appeals were in favour of the appellant
10. There are growing indications that the Department for Education (DfE) are aware of the growing financial pressures in this area but are either unwilling or unable to provide a solution.

11. For Leicestershire, the Children and Family Services departmental High Needs Block Dedicated Schools Grant Budget for 2017/18 was £61m and overspent by £1.1m. At the end of Period 6, this financial year, the projected over spend on the high needs block is £3.6m. The DSG reserve is £2.2m resulting in an overall deficit of £1.4m.
12. The projected over spend is as a result of a number of factors; an increase in Education Health and Care Plans, increase in the number of post 16 young people with an EHCP who are now the responsibility of the LA to fund, potentially up until age 25 and an increase in the number of children accessing higher cost provision.
13. The overspend reflects system wide issues in how the funding is determined. Whilst the allocation moved to a formulaic basis in 2018/19 and now includes proxy indicators of SEND within the population a large element of the grant remains fixed on historic spend and includes £4m of funding protection. The gap between the formulaic allocation and Leicestershire spend is increasing, there is no indication how long the grant protection will remain and is a future financial risk.
14. This increase in overspend sits alongside a backdrop of a number of key issues:

14.1 EHCP Growth

- a. Over the last four years the number of Education Health and Care Plans (EHCPs) has risen significantly and in particular the number of post 16 EHCPs.

| | 2014/5 | 2015/16 | 2016/17 | 2017/18 |
|------------------------|--------|---------|---------|---------|
| Total EHCPs | 2,770 | 2,995 | 3,350 | 3,703 |
| Of which EHCPs post 16 | 429 | 633 | 849 | 1,017 |

14.2 High Needs Block Financial Performance

- a. In Leicestershire the Schools Budget, which includes the High Needs Block is set at zero i.e. expenditure is set at the level of grant received. The high needs block has been under financial pressure in recent years and moved from an underspend of £2.8m in 2013/14 to a projected overspend of £3.6m in 2018/19
- b. To date overspends have met from funding held in the Dedicated Schools Grant Reserve, this is now fully expended and with no funding in addition to the grant, it is necessary to realign expenditure to the resources available.

| Year | Over / (Under) Spend £m |
|------|----------------------------|
|------|----------------------------|

| | |
|------------------------------|----------------|
| 2013/14 | (2.846) |
| 2014/15 | (1.447) |
| 2015/16 | 4.431 |
| 2016/17 | 2.541 |
| 2017/18 | 1.468 |
| 2018/19 est. period 6 | 3.623 |

- c. The financial performance of the high needs block is impacted by both the level of grant and the level of expenditure. The High Needs NFF allocates funding against a basket of national indicators chosen because their correlation to the incidence of SEND in the population. Analysis of the DfE's published high needs benchmarking tool identifies that Leicestershire is below the statistical neighbour average for these characteristics, hence the low level of formula funding, however the percentage of young people with EHCPs is similar.
- d. A significant issue is the use of the 2 -18 population within the settlement which supports services for the 0 -25 population. Whilst the DfE headlines are that local authorities will see an increase of funding, comparison of the amounts per 0 – 25 head of population shows a decrease in funding per head between 2018/19 and 2019/20 and an underfunding of this formula factor for Leicestershire of £5.1m.

14.3 SEN Provision (current and projected use based on current use)

- a. The total projected increase in provision demand over next 5 years is 22%. Based upon current projections, without any further transfer between the schools and high needs blocks, assuming a cash flat DSG settlement, an increase in SEN numbers and the continuation of current provision use, the expected financial position to 2022/23 is a £44m cumulative deficit which is financially unsustainable.
- b. In addition to this SEN transport is projected to overspend by £0.5m this year and growth of £1m required next year. The budget for this sits outside the CFS budget and is managed with in the Environment and Transport Department.

| Forecast growth | 16/17 | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 | 22/23 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Leics Special Schools, Units & Education Resource Provision | 1,483 | 1,562 | 1,578 | 1,659 | 1,693 | 1,737 | • |
| Independent Provision | 336 | 341 | 387 | 428 | 450 | 472 | 493 |
| 16+ FE | 173 | 190 | 190 | 200 | 215 | 230 | 245 |
| 16+ Specialist FE | 66 | 74 | 91 | 109 | 127 | 145 | 163 |

| | | | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total | 2,058 | 2,167 | 2,246 | 2,396 | 2,485 | 2,584 | 2,652 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|

Current Provision Overview

15. Leicestershire currently has a range of high quality provision for children with special educational needs and disabilities:-

- **Mainstream Primary and Secondary Schools:** All mainstream schools provide a 'core' offer of support and to include children with additional needs.
- **Leicestershire Special Schools:** There are five area special schools in Leicestershire, all of which are either good or outstanding. They support pupils with significant learning difficulties and other complex needs from age 2 or 3 up to 19. Maplewell Hall Special School is the sixth Special School for pupils aged 11 to 19 years with moderate learning difficulties with a provision for secondary aged pupils with higher functioning Autism Spectrum Disorder.
- **Units and Resource Bases:** There is a variety of resource base provision across the County in mainstream schools. These include primary and secondary provision and include bases for Speech and language, Autism, Moderate learning Difficulties and Hearing Impairments
- **Specialist Nurseries:** There are three nurseries Wigston, Sketchley, and Loughborough providing support for children with needs in early years, including those with SEMH needs.
- **Post 16:** The five local FE Colleges and two Independent Specialist Colleges have developed their curriculum offer to meet the needs of SEND learners.

Revenue Budget Projections

16.1 Modelling shows that through the expansion of provision and the development of new provision it is possible to reduce the high needs overspend and in time, estimated to be 2023/24, result in expenditure being brought into line with the grant.

16.2 The longer term picture is not optimistic, on introduction the DfE stated that the formula would be reviewed in four years, currently the intentions for transition to the full formula are unknown. In moving to full formula two elements of the formula – historic spend and funding floor – give rise for concern. Historic spend equates to 44% of the 2019/20 formula (£29.7m) meaning that under half of the formula is unresponsive to changes in population needs and remains based on levels of spend from 2013/14 and pre SEND reform. Additionally 6% (£4.3m) of the allocation is through the funding floor, there is no information on the length of time this protection will remain. Additional national funding can be expected purely to reduce the floor allocation and not deliver additional resources for Leicestershire.

16.3 The following table sets out the revenue plan which sets out expectations on future high needs DSG, expenditure, potential savings and the cost of

delivering the project. No increase in DSG is forecast, with Leicestershire receiving c£4m of funding protection through the funding floor, any increased grant will reduce this allocation. Without future levels of guaranteed increase, as in 2019/20, the high needs formula will need to deliver in excess of £4m before Leicestershire receives an increase in funding.

| High Needs Forecast | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £,000 | £,000 | £,000 | £,000 | £,000 |
| High Needs DSG | -65.179 | -66.080 | -66.080 | -66.080 | -66.080 |
| Estimated Expenditure | 68.945 | 73.079 | 75.692 | 78.547 | 80.080 |
| Total Potential Savings | 0.000 | -2.653 | -7.251 | -12.467 | -19.852 |
| Revised Expenditure | 68.945 | 70.426 | 68.441 | 66.080 | 60.228 |
| Annual Funding Gap | 3.766 | 4.346 | 2.361 | 0.000 | -5.852 |
| Funded From Reserve | -2.228 | | | | |
| Cumulative Funding Gap - DSG Reported Deficit | 1.538 | 5.884 | 8.245 | 8.245 | 2.393 |
| DSG Deficit High Needs % | 2% | 9% | 12% | 12% | 4% |
| SEND Recovery Programme Costs | | | | | |
| Programme Team | 0.068 | 0.270 | 0.217 | 0.030 | 0.000 |
| Operational Staff - Practitioners / Ed Psychologist | 0.131 | 0.523 | 0.392 | 0.000 | 0.000 |
| Support / Project Team | 0.037 | 0.180 | 0.112 | 0.000 | 0.000 |
| Non Staffing Costs | 0.060 | 0.783 | 0.325 | 0.000 | 0.000 |
| Total Project Cost | 0.296 | 1.756 | 1.046 | 0.030 | 0.000 |
| Revised DSG Deficit | 1.834 | 7.640 | 9.291 | 8.275 | 2.393 |
| Total DSG Deficit % | 0% | 2% | 2% | 2% | 0% |
| Year End Report to DfE Required | Yes | Yes | Yes | Yes | No |

* Dependent on matching individual education need to the timing and the cost of new provision

16.4 There are a number of financial risks associated with the proposed recovery plan that will be carefully monitored throughout its delivery;

- The plan is based upon the difference in the average unit costs of types of provision, can be expected that actual savings will differ.
- Whilst additional places will be developed for Leicestershire pupils, conditions for the use of Dedicated Schools Grant do not allow for places to be specifically reserved for Leicestershire pupils. It will be essential that the delivery of additional places matches pupil needs to reduce the risk of unfilled places being commissioned by other local authorities.

- The plan is dependent in moving pupils to lower cost placements able to continue to meet their needs. There is a risk that insufficient number pupils will be able or willing to move provision.

16.5 Leicestershire is one of the few local authorities that have not implemented a transfer of funding from the schools to the high needs block for 2018/19 or considering doing so for 2019/20. Should financial pressures continue to increase a transfer may need to be reconsidered for 2020/21.

Proposals/Options

17. In order to reduce the overspend on the High Needs Block a recovery plan has been developed with a set of focused activities on three key areas:-

- Develop and embed inclusive approach and practice amongst schools, LA staff and other settings
- Modernisation of SEN services through;
 - Improved (joint) commissioning
 - Improved processes and decision making
 - Improved quality and assurance
 - Digitisation to support improved partnership working
- Development of a range of cost effective, high quality provision for children and young people with SEN;
 - Units attached to mainstream schools
 - Development of special schools
 - Expansion of existing, or new build, area special school
 - Development of FE specialist provision

Developing and Expanding Provision

18. Over the next four year a provisional plan has been developed that will significantly grow Leicestershire SEN provision:

| Provision | Sept 2019 | Sept 2020 | Sept 2022/23 | Total places |
|--|--------------------|--------------------|---------------------|---------------------|
| SEMH Bases | 5 x 10 place units | 5 x 10 place units | | 100 |
| SEMH Special School | 50 places* | 50 places* | | 100 |
| Communication and Interaction Bases | 3 x 10 place units | 2 x 10 place units | | 50 |
| Specialist FE | 1 x 30 place | 1 x 30 place | | 60 |
| Communication & Interaction Difficulties Special School | | 80 place school | | 80 |

| | | | | |
|--|--|----|--------------------------|------------|
| Additional Area Special School or expansion of existing special schools | | | 125 places (if required) | 125 |
| Expansion Special Schools/Units/Oakfield | 65 Special School Places 25 increased ASD Unit Places (September 2018 onwards) | 48 | | 138 |
| | Total | | | 653 |

* additional SEMH provision is based on outcome of DfE Free School bid. It is expected that a response will be received by January 2019 from the DfE.

Capital Requirement

- 19.1 The high needs recovery plan is dependent upon a significant capital investment. It includes a bid to the Department for Education for funding of £8m for a new school to meet the needs of pupils with Social, Emotional and Mental Health Needs. Costs will only be able to be confirmed as schemes are developed. Overall the capital need is estimated to be £32.3m.
- 19.2 The capital funding strategy is under development and is expected to be a mixture of specific grant (including the Free School bid to the DfE), capital receipts from former education sites and local authority capital.
- 19.3 Local authorities for the first time in 2018/19 received specific grant for SEN provision, this was £2.1m over three years but subsequently increased to £2.6m, this has been deployed in 2018/19 to fund the new units that have opened and completed in 2018/19 and also to support the new build programme at Dorothy Goodman.
- 19.4 The only other capital grant received by the local authority for education provision is for Basic Need which relates purely to mainstream school places, it has been possible to divert some underspend from this programme to SEN. The gap in funding is expected to be met from County Council capital resources, it is likely that compensatory service savings from across LCC will be required to enable this to happen.

Deficit Management

- 20.1 The deficit will be managed but not funded by the County Council. Approval will be sought from the Schools Forum annually to carry forward the deficit in line with the requirements of the terms and conditions of grant. This report seeks approval to carry forward the 2018/19 DSG deficit to 2019/20.
- 20.2 The 2019/20 Operational Guidance issued by the DfE sets out a requirement to report annually to the DfE to bring DSG expenditure in line with the grant where a DSG deficit exceeds 1% and includes the requirement to discuss this

with the Schools Forum . The DfE have recently issues a consultation on the format of the report, it is proposed that its content should set out;

- The budget pressures encountered including changes in demand for special provision, how the demand has been met and if there have been any reductions in the provision for mainstream pupils with high needs.
- The local factors that have caused an increase in high needs costs to exceed the level of grant, a plan to change the pattern of provision and evidence of the extent to which the plan is supported by schools and other stakeholders.
- A detailed recovery plan to bring its DSG reserve back into balance within three years
- If the deficit cannot be recovered within three years why and how it can contain in year expenditure within the grant within three years
- Previous movements between blocks and why they have not been adequate to counter new cost pressures
- Assumptions on assumed future transfers between blocks of the DSG, if permitted in future years, and evidence of support from the Schools Forum and wider school community

20.3 Schools Forum will be aware that funding for new school growth is held within the 2018/19 schools block budget effectively banked in order to fund the expansive new school growth that will be encountered in Leicestershire in the medium to long term and the remaining age range changes to be effected in secondary schools. Whilst there a new methodology is to be introduced in 2019/20 for funding local authorities for school growth, any financial gain will be insufficient to meet future needs, the local authority plans to 'bank' unallocated school growth allocations, with the approval of the Schools Forum, in the short term this will partially finance the high needs deficit.

20.4 The County Councils Medium Term Financial Strategy (MTFS) is currently being refreshed for 2019/20 and will retain the current policy that DSG services should be fully funded from DSG and as such will retain the DSG deficit within its financial planning.

Consultations

21. Legal advice is being sought to determine any formal consultations that may be required to support the recovery plan. Alongside this informal consultation will take place with service users over November and December, including this report to Schools Forum, in order to enable children with SEND and their families to influence the design of provision.

Resource/Equalities/Environmental etc Implications

22. In order to deliver the change required to implement the recovery plan, significant up front revenue investment is required to be made alongside the capital investment. The total projected cost of this investment is built into the financial projections and will in the short term increase the DSG deficit.

Report Authors

Jane Moore,
Director of Children and Family Services

Tel: 011652649
Email: jane.moore@leics.gov.uk

Jenny Lawrence,
Finance Business Partner – Children and Family Services
Tel: 01163056401
Email: jenny.lawrence@leics.gov.uk