



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
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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
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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.

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