



## SCRUTINY COMMISSION – 4<sup>TH</sup> SEPTEMBER 2019

### SUPPLEMENTARY REPORT - MEDIUM TERM FINANCIAL STRATEGY UPDATE

#### REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

##### Purpose of the Report

1. The purpose of this report is to provide the Commission with supplementary information regarding the budget for Special Education Needs (SEN).

##### Special Education Needs (SEN)

2. The County Council, along with the majority of upper tier authorities, faces a growing funding crisis for services for children with SEN. An overspend of £6m on the schools budget is forecast in 2019/20 and this pressure will increase in later years before the High Needs Block Development Plan has an impact.
3. The latest forecast shows increasing costs from 2020/21 due to the local authority having to fund the revenue costs of commissioning new places and delays in the achievement of planned savings. Savings of c£20m are still anticipated but as these are linked to the development of additional provision, pupil transition points and the point at which parents submit their preference for provision, it is not expected that the full savings will be delivered until 2024/25, two years later than originally estimated.
4. As a result, the cumulative funding gap is expected to grow to £27m before it starts to reduce, requiring the timescale for the recovery plan to be extended as set out in the summary below:

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
High Needs DSG	-68.659	-68.659	-68.659	-68.659	-68.659	-68.659	-68.659
Estimated operational expenditure	72.242	78.654	82.156	84.922	84.922	84.922	84.922
Estimated project expenditure	1.440	1.092	0.299	0.000	0.000	0.000	0.000
Annual funding gap – pre Development Plan Actions	5.023	11.087	13.796	16.263	16.263	16.263	16.263
Total estimated savings	-0.275	-3.106	-8.190	-13.523	-17.283	-19.640	-19.728
Total cost of commissioning new units & special schools	1.352	3.669	1.061	0.254	0.000	0.000	0.000
Annual funding gap – funded from Reserve	6.100	11.649	6.666	2.994	-1.020	-3.377	-3.465
DSG deficit	0.079						
Cumulative funding gap – High Needs deficit	6.179	17.829	24.495	27.489	26.468	23.091	19.626

5. Predicting the number and costs of Education, Health and Care Plans (EHCP's) is complex therefore a number of assumptions have been built into the forecast. It is anticipated that expenditure will plateau after 2022/23 as the number of children and young people requiring independent provision reduces due to local provision being in place. Savings are estimated as being the difference between the average current unit cost of provision and the average cost in the new provision.
6. Given the increasing pressure on this service the High Needs Block Development Plan, previously approved by the Cabinet on the 18<sup>th</sup> December 2018 has been updated. Financially the position is dynamic with costs changing as pupils enter, exit and change provision, this aspect of the plan will be updated on a monthly basis.
7. The SEN services that can be funded through High Needs Dedicated Schools Grant (DSG) are defined by Government. Within these confines the Council is putting changes in place that aim to bring expenditure back in line with the grant. The High Needs Development Plan also emphasises the importance of lobbying Government and local MPs as the only way a long-term sustainable system can operate is if the current approach is redesigned and adequately funded.
8. Cost pressures are not isolated to expenditure areas that can be funded by the High Needs DSG. Related transport costs have been increasing by in excess of £1m each year and the assessment service is growing to meet demand. These areas must be funded from the main County Council budget.
9. The Cabinet, the Scrutiny Commission and the Schools Forum will be updated regularly on the implementation of the High Needs Block Development Plan as it is the most significant pressure being faced by the County Council.
10. In addition, there are also pressures on the funding of SEND projects within the four year Children and Families Services capital programme to deliver the approved schemes within the approved budgets and the need to consider options to expand local specialist provision which may require additional capital. These issues will be reviewed as part of the MTFs refresh for 2020-24.

### **Equality and Human Rights Implications**

11. Departments will complete Equality and Human Rights Impact Assessments (EHRIA) on the 2020-24 four-year MTFs as detailed proposals are developed. A review of the overall impact of the proposals will also be undertaken as part of the MTFs to ensure any cumulative impacts on protected groups are identified.

### **Background Papers**

Report to County Council -20 February 2019 – Medium Term Financial Strategy 2019/20 to 2022/23

<http://politics.leics.gov.uk/documents/s144416/Report%20of%20the%20Cabinet%20-%20MTFS.pdf>

<http://politics.leics.gov.uk/documents/s144417/MTFS%2019-23%20-%20Cab%208-2-19%20v4%20final.pdf>

**Circulation under the Local Issues Alert Procedure**

None.

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