

<b>Committee:</b>	Schools Forum
<b>Meeting Date:</b>	18 July 2017
<b>Title</b>	High needs block funding allocation and cost management
<b>Author:</b>	Adrian Leach and Fiona Heath
<b>Decision making / consultative / information:</b>	Information
<b>Who can vote?</b>	n/a

### What is the Forum being asked to decide?

1. This paper provides information about the current allocation of the high needs block budget for 2017/18, including the proposed use of the additional £3million of DSG allocated from the Schools' Forum from this financial year forwards.

### Reason for recommendation

2. In November 2016 Schools' Forum agreed the transfer of £3m from the schools' block to the high needs block (HNB). This paper provides an update on the progress made in managing and oversight of the additional funding in the context of the total high needs block

### Alternative options

3. n/a

### Who will be affected by this decision?

4. All schools, FE and early years' providers with pupils/students accessing funding from the high needs block including specialist provision.

### Main body of the Report

#### 5. Background

- 5.1 In 2015-16 the high needs block overspent by £2.35m (5.4%) against a budget of £43.46m. Despite an increase of £1.2m top up funding from the EFA at the start of the year, the position worsened and the overspend increased to £3.8m (8.7%) against a budget of £43.5m (reduced from £44.6m due to an academy conversion). As a result of this, Schools Forum was asked to act and to consider the reallocation of funds in order to support the HNB. A paper was presented to Schools Forum to explain the financial challenges and request the transfer of funding (£3m) from the schools' block to help to address the financial pressures of the high needs block.

- 5.2 This overspend reflects the general trend of an increase in demand for specialist places and the increased complexity of the demand. Suffolk has been unable to meet this demand locally both in terms of volumes and types of specialist provision. This situation is the same in a significant number of local authority areas and nationally spend on independent specialist provision has increased considerably over the last five years. The table in figure 2 of Annex 2 shows the rapid increase in the costs of ASD and SEMH provision. From 2014 to 2017 the cost of ASD provision has risen from £2.75m to £4.1m per year and SEMH provision has increased over the same period from £2.4m to £3.25m. At the same time fig 3 shows the £0.4m p.a. decline in health contributions to very high needs placements over the same period and projected forwards.
- 5.3 The most significant areas of overspend are recurrent cost pressures:
- **Independent Provision:** Increased requirement to purchase Independent provision in terms of numbers of places and increasing cost of purchasing more complex and therefore more expensive placements - many of the local and regional independent providers are at capacity, and so placements have to be sourced from providers further afield, or at higher cost in order to meet the needs of the child; added to which out of county providers in general are increasing their fees. The spend on independent provision has increased from £9.3m in 2014-15 to £10.1m in 2016-17.
  - **Top up costs** - the increase in SEN needs of children in education (including additional post 16 learners) leading to higher top up payments. Expenditure on top up funding has increased from £20.2m in 2014-15 to £20.7m in 2016-17.
  - **EOTAS costs** - the increased number of children who are unable to attend school due to ill health or exclusion; a significant proportion of this growth is due to the increase in the numbers of pupils with ASD and or SEMH needs. The expenditure, net of income, has increased from £0.6m in 2014-15 to £1.3m in 2016-17 as a result of a combination of increased costs and a reduction in income collected.
  - **Medical tuition** - this is a new, recurrent cost pressure as we are no longer able to recover the costs of medical tuition from schools. Although in 2014-15 and 2015-16 there was income to offset the gross costs, the gross costs vary year to year and in the last three years have ranged between £0.16m to £0.3m.
- 5.4 In addition there have been some one off circumstances that resulted in an additional cost pressure in 2016-17. The failure of Kingsfield PRU resulted in a requirement to invest an additional £1m in making short term provision while this matter could be addressed. This will cease once the provision at Kingsfield is functioning at full capacity.
- 5.5 Previously, the overspend on the high needs block has been offset by underspends on other DSG budgets. However, as the funding pressures increase across all blocks, and particularly following the reduction in early years funding, it is no longer possible to fund a high needs overspend in this way.

## **6. Planning for 2017-18**

- 6.1 The total high needs block funding (net of academy place funding) in 2017-18 is £48.9m. A copy of the HNB allocation and budget lines is contained in Annex 1.
- 6.2 Following the area inspection the way the budgets had been managed came under scrutiny to ensure they would support the areas for development required in the outcome letter. Furthermore, the contents of each budget did not allow it to be used to generate accessible management information to support operational improvement and historic overspends had not been address through rebalancing the HNB appropriately leading to relaxed budget management. At the start of 2017 therefore a senior manager was appointed to undertake a full strategic review of the budget structure.
- 6.3 The review has led to a significant change, when compared to 2016/17 budgets, in the number and scope of budget lines containing DSG HNB funds. Many budgets have been rationalised and where budget codes remain, they do not necessarily contain the same subjective lines within them.
- 6.4 Although almost complete there are still a number of additional alterations which may take place over 2017/18. This will be to ensure that the budgets support the restructure of the inclusion service moving forward. Regular updates will be brought the high needs group and we will identify where this has happened.
- 6.5 Once the budget codes and subjective lines within them were in the right place, DSG funding was appropriately allocated to each budget line for the 2017/18 financial year. The outcome of this is that SCC Inclusion and Finance are now far better placed to deliver clear reporting of HNB spend and in particular, to allow the HN working group to effectively monitor and report on the additional £3m transferred to the HNB by Schools' Forum.
- 6.6 In addition, now that budgets are appropriately funded there will be a significant increase in the level of accountability that budget managers face within the quarterly financial reporting cycle.
- 6.7 The principle used to establish the budgets was to support the level of spend incurred against the realigned budgets from 2016/17. Therefore, all budgets for 2017/18 are set at 2016/17 levels except where there was an overspend due to provision pressure. This has been addressed through the allocation of additional funds into the HNB so that all budget managers have in effect a stand still budget based on last year's spend.
- 6.8 The money from the schools' block which moved into the HNB is shown in budget CK766.

## **7. Plan for Cost Management Going Forward**

7.1 In order to ensure that budgets funded by the DSG HNB are not overspent in 2017/18 a series of budget control measures are being put in place. These are broken down into short, medium, and long term measures.

7.2 Short Term Measures include:

- As noted above, all budget managers are now held accountable for the spend against their budget lines at monthly budget meetings. This was not possible before as budget values did not necessarily represent the level of commitment against a budget. For example, the Independent Education budget was not adjusted over the last four years despite the increase in provision costs. Improving our use of effective contract management to find savings. Budget management is more explicit in personal performance objectives.
- A strategic review of key areas of spend is underway to determine the impact of our current commitments. The review is beginning to uncover and address areas where spend is no longer appropriately targeted or where efficiency savings can be made. This includes areas such as sensory and communications outreach, additional SEN support outside of place funding and contingency funding.
- The inclusion contracts team are reviewing all standing contract arrangements to find efficiencies. This work includes areas such as integrating better into the county placement panel process to ensure provider costs are tackled early, reviewing contract schedules.
- SCC has recently extended the use of Welfare call tracking to now include pupils in independent specialist providers to monitor pupil attendance and adherence to contracts. This has already allowed us to identify providers incorrectly claiming for pupils who are not attending. In addition to the financial benefit, there is clearly a significant safeguarding benefit to this development.
- With the new budgets in place the Inclusion Service is now focusing on how it can use them to develop useful and timely management information. Some examples of how this will look are contained in Annex 2. The management information reports will allow better planning through identifying cost pressures and more effective monitoring of the impact of commissioning and spending decisions. fig 3 for example shows that although the DSG cost of independent specialist provision has increased by over £1m in the last four years over £0.3m of this is due to a reduction in contributions from health funding. Such information will be used to support discussions with both Alliance partners and providers.
- In addition to the above on-going process efficiencies are being sought. These include reviewing the high needs funding process, reviewing recoupment processes of Suffolk children educated in schools outside Suffolk

7.3 Medium term measures over the next year include:

- As set out in the SEND Strategy for 2017-20, early assessment and intervention lies at the heart of service development model. The

planned multiagency assessment centres will allow us to generate savings by maintaining and supporting mainstream education where appropriate and intervening early where this is not possible to avoid escalation.

- The restructure of SCC's Inclusion Service will support the delivery of the SEND Strategy over the next three years. In the proposed new structure there is an increased focus in commissioning and contract management. This will put in place the required level of resource to undertake the actions contained in this paper.
- Over the next twelve months the Inclusion Service will be reviewing its place planning, admissions processes and protocols to make sure that we can make best use of the funding and available provision locally. This will involve working closely with both mainstream and special providers and parents to make sure that admissions are clearly understood and adhered to by all stakeholders
- An associated development will be the aligning of commissioning processes with provider quality to ensure that the provision commissioned and set out in EHCPs is being appropriately delivered and that appropriate progress towards outcomes is being made. (The SEND strategy contains actions to ensure that the development of EHCPs will ensure that outcomes clearer, more appropriate, and better defined.)
- As a second phase of our contract review the Inclusion Service will be looking at where it can commission new providers and undertake market development to extend the range of providers available to us. This will be primarily focussed on service provision such as transport solutions and EOTAS contracts.
- The development of SEND sufficiency plan sits at the heart of Priority 3 in the SEND Strategy. This will identify both gaps in provision and where provision is not effectively meeting current or future need. The sufficiency plan will inform SCC's commissioning intentions for 2018-2022 which will allow Suffolk providers to respond appropriately to local need. (In place by April 2018.)

#### 7.4 Longer term measures include:

- Following the publication of the SEND Sufficiency plan SCC in partnership with local providers will be developing provision over the next three years. A small capital grant from the DfE covering 2018-2020 will be used to support this work in addition to the potential for further free school applications.
- Work is already underway to develop a new transparent and equitable funding system for children and young people who attract high needs funding. The funding policy will be developed to allow local providers to be innovative and develop more bespoke or niche provision in order to reduce Suffolk's reliance on the independent special provider sector. This is planned to be in place for 2019/20.

#### 7.5 All of these developments should be set within the context of the 2017-20 SEND strategy. The overarching principle contained in the strategy is that Suffolk moves to a more integrated approach to dealing with children and young people with SEND. Better targeted and earlier intervention will help to

reduce, in many cases, the escalation that leads to the need to seek an independent specialist place. This will be facilitated by more effective multiagency working and better informed families and professionals.

## **8. Revising the High Needs Block Funding Policy**

- 8.1 Work is being undertaken as part of the new 2017-20 SEND Strategy to review and reform the funding policy for allocation of high needs block funding to schools. At the heart of this policy review is the development of a universal banding system covering all 0-25-year-old children and young people irrespective of setting.
- 8.2 Two papers regarding the review and revision of a new high needs funding policy have been taken to the High Needs Group. These set out the need to create a policy that is clear, transparent, and equitable across the system and highlight some of the key issues. The review seeks to identify and put forward proposals to address historical inequalities in high needs funding as well as establishing a mechanism to allow local providers to develop innovative training packages to prevent children and young people from having to leave the county to access education.
- 8.3 A number of special and mainstream school colleagues are working with Suffolk Council staff in a series of workshops to develop the new universal banding system that will sit at the heart of a revised funding policy. This work is due to be completed by the end of July 2017. The group will be establishing a set of descriptors for each funding band indicating severity of need against the four areas from the code of practice (cognition and learning, language, and communication, physical and sensory and Social, emotional and Mental Health). These will replace the current descriptors used in the high needs moderation process for mainstream schools and the special school bands.
- 8.4 Following this work a draft set of policy proposals for consultation will be drawn up and consultation with schools and other stakeholders will be undertaken during Autumn 2017. It is intended that the new funding policy be developed in time to allow for a transitional planning year in 2018/19 before being implemented in 2019/20.

## **9. Investing to Save**

- 9.1 The move to a new service delivery model focussed on early intervention and a co-ordinated multiagency approach will generate savings in future years as children and young people are supported more effectively. The new model will reduce the number of placement breakdowns and managed moves. It will however require initial investment to establish. While this can be managed within the current funding available for 2017/18 the savings from the new model will not be fully realised until 2019/20.
- 9.2 During the early part of 2017 an additional pressure on the independent, non-maintained budget has come from the need to address a backlog of complex cases. While this work is required to meet both moral and statutory

obligations to Suffolk children it has required spot purchasing of placements both within Suffolk and at independent non maintained schools.

9.3 It is important to recognise therefore that the developments set out in this paper will take some time to fully implement and that savings on place funding or the DSG HNB more broadly will not be realisable in the 2017/18 financial year. However, new provision such as the SEMH school in Carlton Colville will begin to have a significant impact in future years.

9.4 The need to develop both a new delivery model and additional provision across Suffolk will carry an element of financial risk. Development of provision in other areas has contributed to increasing demand rather than reducing reliance on independent non maintained provision. The development of management information to evaluate the impact of new provision will allow us to monitor its impact, but will not always mitigate the risk involved.

<b>HIGH NEEDS DSG BUDGETS 2017-18</b>					
	<b>Budget code and name</b>	<b>DSG Funding</b>	<b>Allocation of additional DSG funds</b>	<b>Total Budget 2017-18</b>	<b>Budget Description</b>
		<b>£</b>	<b>£</b>	<b>£</b>	
Care & Health	CC770 - Specialist LSA Scheme	200,000		200,000	Provision of Learning Support in school settings
<b>Care &amp; Health Total</b>		<b>200,000</b>	<b>0</b>	<b>200,000</b>	
High Needs	CC759 - Independent Education Placements	7,954,658	2,100,000	10,054,658	Pupils not placed within a SCC provision
	CC780 - Mainstream School - Top Ups	1,897,061		1,897,061	Top up funding
	CC781 - Special School - Top Ups	4,482,827		4,482,827	Top up funding
	CC782 - PRU - Top Ups	5,882,438		5,882,438	Top up funding
	CC783 - Academy & Free School - Top Ups	3,728,803	2,200,000	5,928,803	Top up funding
	CC790 - FE Provision - Top Ups	2,100,000	500,000	2,600,000	Top up funding
	CC901 - High Needs Funding Hub	89,000		89,000	Support staff for HN service
	CC906 - County Inclusive Support Service	1,005,890		1,005,890	Combined behaviour support service and county inclusive resource
<b>High Needs Total</b>		<b>27,140,677</b>	<b>4,800,000</b>	<b>31,940,677</b>	
Inclusion Management	CC753 - Inclusive Services Management Team	57,355		57,355	The balance is funded from base budget
<b>Inclusion Management Total</b>		<b>57,355</b>	<b>0</b>	<b>57,355</b>	
SEN	CC752 - SEN Additional Support	346,080		346,080	Outreach Speech and Language Therapy (SaLT) & Occupational Therapy (OT)
	CC754 - SEN Recoupment	100,000		100,000	Funds Suffolk Children in Care attending other LA schools where their costs exceed basic HTN funding; some costs offset by income for other LA children who are in Suffolk schools in a similar position
	CC903 - SEN Service	864,814		864,814	Funds SNO & ASNO salaries & their associated costs
<b>SEN Total</b>		<b>1,310,894</b>	<b>0</b>	<b>1,310,894</b>	
SEN/AP	CC751 - SEN/AP Service Provision	627,759		627,759	Provision of learning by 1:1 Teaching - salary costs and associated on-costs for Local Offer Manager, PDOs, LOBs & all SCC EOTAS teachers
	CC763 - Alternative Provision - Transport (EOTAS)	650,000		650,000	Transport for children to access AP provisions that are not covered by the Home to School Policy
	CC764 - Hospital Tuition - Out County	120,000		120,000	Placements made by NHS England and SCC reimburses the costs
	CC768 - Not School Net	206,280		206,280	Internet learning package for home study. Referral based KS3 & KS4 provision online education
	CC776 - Alternative Provision - Contracts (EOTAS)	81,618	1,000,000	1,081,618	Commissions of placements for Alternative Provision for short and long term placements
	CC904 - Dyslexia Outreach Service	254,000		254,000	Specialist outreach staff and their associated resources & costs
	CK766 - SEN Development	8,894,051	-5,800,000	3,094,051	Funds place funding not captured at the start of the year, bespoke arrangements, targeted SEN support in mainstream schools and service development
<b>SEN/AP Total</b>		<b>10,833,708</b>	<b>-4,800,000</b>	<b>6,033,708</b>	
Sensory & Communication	CC760 - Special Equipment SEN	150,000		150,000	Includes the block contract (£75k)
	CC761 - CYP Sensory Service Improvement	1,097,814		1,097,814	Sensory staff and associated costs
	CC907 - Sensory Service SaLT	tbc		0	
<b>Sensory &amp; Communication Total</b>		<b>1,247,814</b>	<b>0</b>	<b>1,247,814</b>	
Place funding	GK003 - Special Schools I.S.B.	3,890,000		3,890,000	Maintained school funded places
	GK005 - PRU ISB	3,100,000		3,100,000	Maintained school funded places
	GK008 - Specialist units I.S.B.	1,170,000		1,170,000	Maintained school funded places
<b>Place funding Total</b>		<b>8,160,000</b>	<b>0</b>	<b>8,160,000</b>	
<b>TOTAL DSG FUNDING</b>		<b>48,950,447</b>	<b>0</b>	<b>48,950,447</b>	

Annex 1: HNB Budget overview

Annex 2: MI Examples showing cost pressures in independent provision budget pressures and areas of spend.

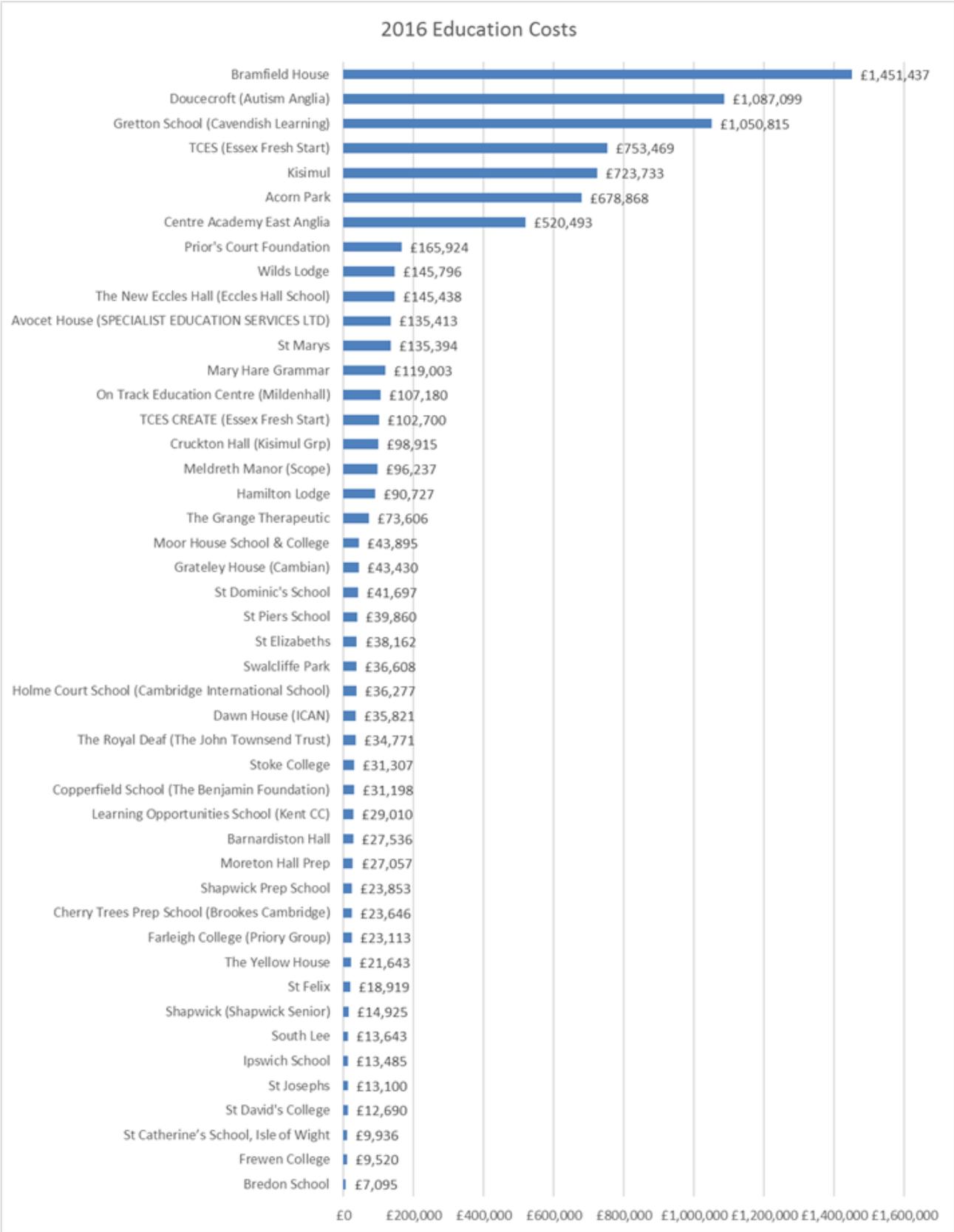


FIG 2

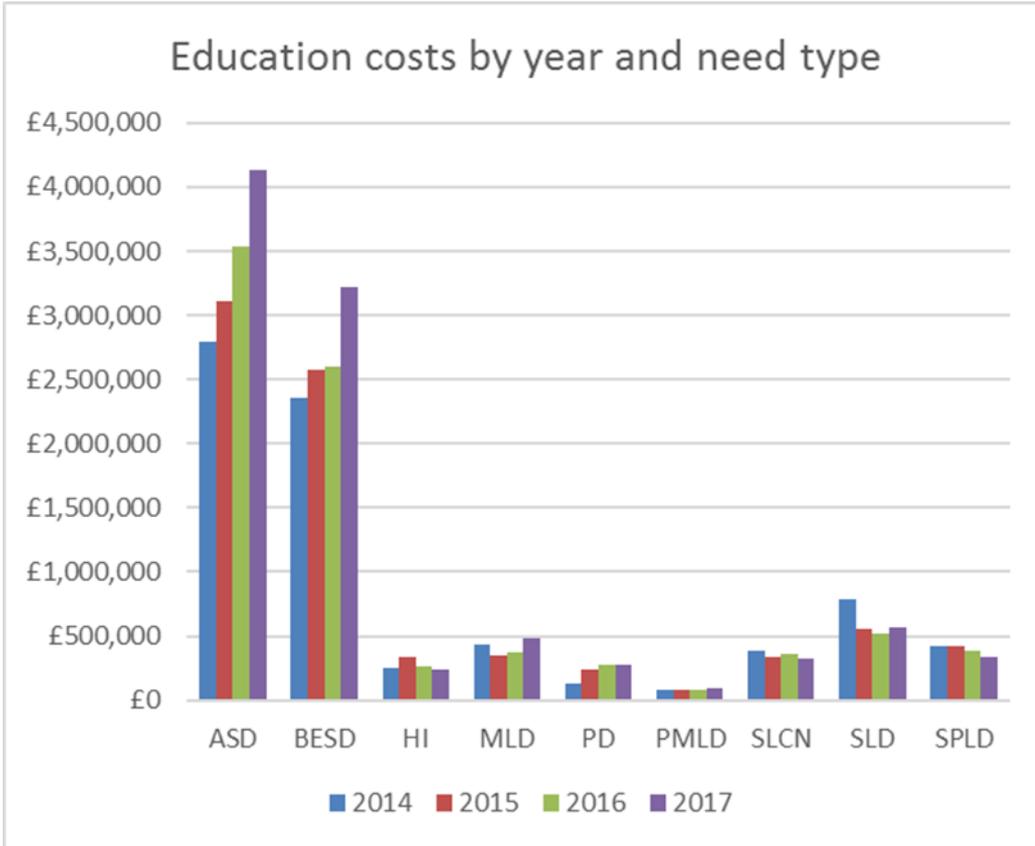


FIG 3

