

Committee:	Schools Forum
Meeting Date:	9 July 2019
Title:	The High Needs Block – an update on current expenditure, trends and future forecast
Author:	Judith Mobbs
Decision making / consultative / information:	Information
Who can vote?	Not applicable

What is the Forum being asked to decide?

1. To note the continued significant pressures on the DSG High Needs Block due to rising numbers and complexity of children and young people with Special Educational Needs and Disabilities (SEND); a lack of local specialist education placements and the impact of the fairer funding arrangements for high needs funded pupils in mainstream provision as part of the new high needs funding.

Reason for recommendation

2. To provide Schools' Forum members with up to date information on the continuing significant and escalating pressures on the high needs block following the report in January 2019, and the expectation of further overspend in making appropriate provision for the growing number of children with specialist education needs.

Who will be affected by this decision?

3. This situation affects all education providers in Suffolk.

Main body of the Report

Summary of main points

4. Suffolk remains significantly underfunded in its high needs block compared with other local authorities. If Suffolk were receiving the same £ per head of the 2-18 population average funding received by local authorities outside of London, the High Needs budget would be £13m higher than it is. The Government is currently calling for evidence regarding high needs funding nationally as it recognises that almost every local area across England is under pressure regarding high needs funding.
5. The outturn position for 2018/19 financial year was a £3.5m deficit in the DSG high needs block. This is projected to double to £7m in 2019/20. This will result in an overall level of deficit in the DSG that cannot be sustained. Many other local areas have addressed this situation through transferring additional funds from their schools' block into their high needs block. Suffolk will need to consider this action in the autumn.
6. Suffolk is in the midst of a significant change in its SEND funding system and offer and has reached the point in time where demand is creating the most escalation in cost, new local places are not yet available, and the impact of transitional protection has not yet resulted in a rebalancing of funds. This means the cost pressures are at their most significant in 2019/20.
7. Demand and complexity of need for SEND continues to rise in Suffolk at a faster rate than nationally. During 2018 753 new Education Health and Care plans were issued – 20% more than in 2017, however the number of children in mainstream school supported with high needs funding remains broadly similar to previous years. This means increased requirement for specialist placements.
8. Suffolk's local specialist education capacity is fully utilised, and it has not been possible to increase local placements significantly in the last twelve months. As a result, in 2018/19 and 2019.20 the majority of children requiring a new specialist placement have to be placed in an independent setting at an average cost of £52,000 compared with around £20,000 - £25,000 for an equivalent local placement.
9. Suffolk CC has agreed a significant investment in the creation of over 800 new local specialist placements for children with SEND between 2020 and 2025, but the first of these will not be delivered until September 2020.
10. The introduction of the new funding system to mainstream settings is now completed and mainstream providers now receive top-up funding at an equitable level with specialist settings. However, the impact of this has been an average increase of £850 per pupil resulting in an additional full year cost pressure of £2.3m.

11. The new funding system for specialist provision will be in place from Sept 2020, however there will only be a part year effect in this financial year and providers are protected through transitional protection. As a result, the redistribution of funds from those providers in the PRU sector subject to a reduction will not offset the increases in mainstream top-ups for some time to come.

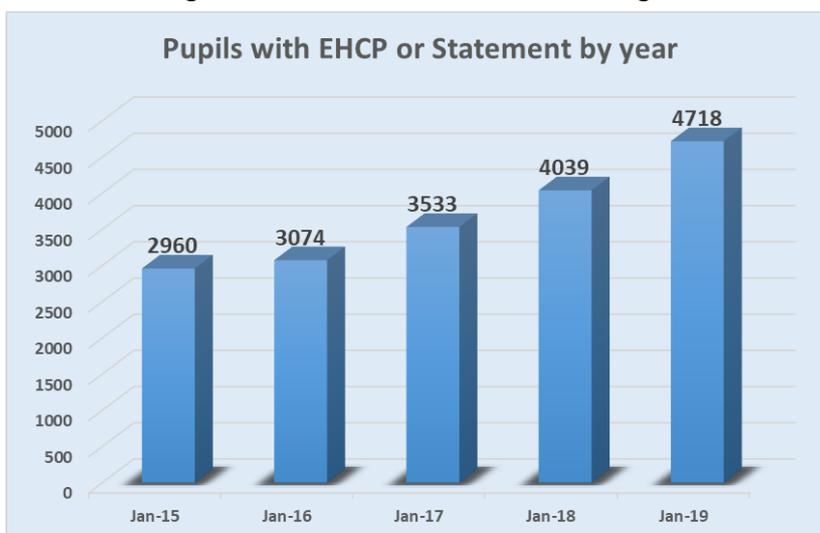
The National and Suffolk Picture

12. Following their emergency action to provide additional monies for high needs in December 2018 the DfE have announced a call for evidence, a further acknowledgement that the SEND funding system nationally is in crisis.
13. The DfE statement said:

In December 2018 the Secretary of State announced our intention to hold a call for evidence on the current funding arrangements for those with special educational needs (SEN), those with disabilities, and those who require alternative provision.

We accept that the overall amount of funding available is the most pressing concern. However, this call for evidence is intended to help us understand how the current available funding is distributed, and what improvements to the financial arrangements could be made in future to get the best value from any funding that is made available.
14. Suffolk is preparing a submission for this evidence call and also continues to press for fairer funding of our SEND learners through Cllr Jones' work on the F40 group of low funded areas.
15. Government recently published new data on SEND funding rates in its high needs benchmarking tool. This provides data for all authorities which has allowed us to calculate more accurately the disparity in our funding compared with the national picture at <https://www.gov.uk/government/publications/high-needs-strategic-planning-fund>
16. Using data from the national DfE DSG allocations for 2019-20, we can determine that Suffolk is currently receiving £13m less in its high needs block compared to the average for LAs nationally outside London. Our allocation is also considerably below that of our nearest neighbours, with Norfolk having over £8.8m more pro-rata.
17. Suffolk's sufficiency plan projected an 18% in growth in numbers of children with SEND between 2017 and 2020. In January we shared with you the most recent data regarding the continued growth in Education, Health and Care Plans. The graph below plots the rise, and as at May 2019 Suffolk is now maintaining 4,948 plans with continued high demand for assessments.
18. National comparator data has now been published and indicates of the 152 Local Education Authorities in England Suffolk issued the eighth largest number of plans in 2018. There are only 11 authorities maintaining more EHC Plans than Suffolk.
19. In summary, there is a national funding crisis – even authorities receiving high needs funding at the national average and above are experiencing deficits in their high needs block - and Suffolk is in a position where it currently has one

of the lowest levels of high needs funding per capita against a backdrop of one of the highest levels of demand, resulting in escalating deficits.



High Needs Placement and Expenditure Trends

20. The following table summarises the spend and cost pressures in the high needs block for the last two years and forecast position for 2019/20 FY.

	Actual 2017/18	Actual 2018/19	Forecast 2019/20
Independent			
Placements	£9,909,930	£11,734,411	£12,907,527
Top-Up Payments	£19,761,600	£21,129,471	£21,900,712
FE Top-Up Payments	£3,027,681	£3,483,534	£3,597,228
Commissioned Places	£7,835,000	£6,357,000	£6,898,000
Contingency	£2,438,401	£3,597,603	£1,347,050
Sensory Services	£1,125,641	£1,210,367	£1,261,679
Alternative Provision	£2,446,189	£2,165,122	£2,561,971
Family Services	£1,050,195	£1,314,683	£1,324,716
Targeted Support	£407,400	£815,041	£590,000
SEN Recoupment	£395,546	£385,455	£420,032
CISS	£926,535	£624,634	£883,888
Bespoke Packages		£613,837	£300,000
Dyslexia Outreach	£234,918	£253,201	£260,649
SaLT	£316,341	£263,833	£263,833
Other	£274,302	£208,791	£523,403
Sub-total	£50,149,679	£54,156,983	£55,040,688
Academy			
Recoupment	£9,472,976	£10,898,052	£15,942,656
Total Spend on HN	£59,622,655	£65,055,035	£70,983,344

HNB Allocation	£54,123,065	£61,469,053	£63,775,663
Deficit	-£1,199,231	-£3,585,982	-£7,207,681

21. Table 1 above illustrates the trend of rising costs of £6m per annum within the high needs block. The majority of this cost increase is as a result of additional placement and top up funding. Although 2019/20 FY sees a £2.3m increase in funding allocation, this is offset by a £3m increase in provision payments and a £5m increase in academy recoupment.

Table 2 average placement costs over 3 years	Average Cost - £		
	17-18	18-19	19-20 (forecast)
Special School Place & Top Up	17,414	17,729	17,860
PRU Place & Top Up	26,077	25,149	23,612
Mainstream Top ups	2,392	2,274	3,132
Independent Total Cost	50,556	54,577	52,682
FE Top ups and some place funding	6,961	6,940	7,447

22. Table 2 reports on the average placement costs/projected cost for the last three years and provides an overview of the impact of the new high needs funding system in year 1 (2019/20) with full effect of the mainstream top-ups. However, the impact of the PRU and special school/specialist post-16 rebalancing is part year only.

23. The impact of the new funding system is in line with expectations in terms of a reduction in the cost of PRU places per pupil, a broadly similar position for special schools and an increase in mainstream top up costs. Work has also been undertaken to achieve a reduction in the independent placement cost per head for 19/20 and this is shown also. FE funding is increased due to the inclusion of a number of high cost packages within the 19/20 forecast that were previously funded through a separate budget. These bespoke packages are reducing the need to place young people post-16 in independent placements.

Implementation of new Suffolk High Needs Funding System

24. In January we reported a concern regarding the initial work that had been undertaken in moderating mainstream top-up requests for high needs funding. We indicated that our quality assurance review had indicated a concern over the veracity of the moderation decisions that had been made and a need to revisit the whole process, given that these bandings would be staying with a child over multiple years. This situation has created significant challenge for schools and the Local Authority but is now resolved through a re-moderation

of all submissions. We are very grateful to all school leaders for their support in achieving this and also for their forbearance.

25. Since January a total of 2105 cases have been re-moderated. 78% of the originally proposed new bandings from the autumn term moderation were agreed and 22% were changed. Of these 22%, 289 cases (14%) had the banding reduced and 158 cases (8%) had the banding increased.
26. The final the impact of this has been an average increase of £850 per pupil resulting in an additional full year cost pressure of £2.3m. We are now able to report with confidence that pupils with high needs in mainstream settings have their needs funded in an equitable way to the specialist system and schools are fairly supported to enable them to support children to stay in a mainstream placement.
27. We are sorry for the difficulties that have been caused during the transition period, but now that a stable situation has been achieved further work has also been undertaken to streamline the future process and provide training workshops during July and September to enhance understanding of the new system.

Meeting the Growing Demand for Specialist Education Placements in Suffolk in the Longer Term

28. Since the January report, the Policy Development Panel has made its recommendations for the future development of specialist education places in Suffolk and Cabinet has received two papers relating to this in January and May 2019. The latter being a formal proposal to the Council's Cabinet to agree to capital borrowing of up to £45m to support the development of over 800 new specialist education places with Suffolk. This programme will be rolled out over a 5 year period between 2020 and 2025 and phased to match demand. It will include the establishment of 3 further new specialist schools; up to 36 specialist units attached to mainstream schools and the establishment of an in-county specialist setting for children with the most complex needs at Hampden House PRU.
29. Since the approval of this programme work has begun on planning the mobilisation. A letter has been sent to all schools inviting them to express interest in hosting a specialist unit. A briefing will be held in July and formal submissions invited by early September. These additional places will have revenue implications for the high need block but will create new places that are more cost effective than a continued reliance on the independent sector, where placement costs are on average double those of local provision (see table 2).

30. A further Policy Development Panel will be set up in September to explore future arrangements for alternative provision. In the meantime a pupil level review has been undertaken with each PRU setting and individual commissioning discussions are underway to work with each PRU to maximise their offer.