Suffolk County Council

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Committee:	Schools Forum
Meeting Date:	18th November 2019
Title:	Modelling the Impact of the SEND Capital Strategy on High Needs Block
Author:	Gemma Morgan/Judith Mobbs
Decision making / consultative / information:	Information
Who can vote?	Not applicable

What is the Forum being asked to decide?

1. To note the report to Forum on the first phase of modelling work being undertaken to project the impact of the SEND Capital Programme on the High Needs Block over the next five years. Further reports will follow as the subsequent phases of modelling work are undertaken.

Reason for recommendation

2. To enable Schools' Forum members to assess the potential impact that the SEND Capital Programme will have on the High Needs Block, in particular in mitigation of the current overspend, and in meeting future projected increases in demand for specialist placements.

Who will be affected by this decision?

3. This situation affects all education providers in Suffolk and those independent providers outside of Suffolk who are currently commissioned to provide education placements for Suffolk children.

Main body of the Report

Summary of main points

4. Suffolk has just under 270 children and young people who are currently educated in specialist independent placements because there is no suitable provision within the local offer. Future projections indicate that the demand for specialist placements will continue to rise as the percentage of children and young people with SEND increases. If no action is taken then the

additional demand for places will have to continue to be met in the independent sector. This approach is unaffordable and also impacts on children who have to travel long distances to access education.

5. Suffolk County Council has committed to a SEND Capital Programme that has the potential to deliver over 800 new specialist placements within the local offer by 2025, with the first new places being available in September 2020. This paper seeks to assess the impact of this development on place funding.

6. The first phase of the modelling exercise has now been completed to profile the potential impact of the SEND Capital Programme on High Needs Block revenue. This will be followed by adding further layers of information to the model through subsequent phases of work.

7. The modelling seeks to provide projections of:
    - the spending reductions that can potentially be achieved through reducing our dependence on the independent specialist sector
    - an early projection of the future cost of these additional new places and the cost avoidance that can be achieved through making additional local placements as demand grows

8. The initial modelling indicates that the SEND Capital Programme has the potential to reduce the average cost of a specialist placement for these 270 children from £59,600 to £28,900 per annum by September 2024, which could release up to £8m per annum cost reduction for this cohort of 270 by 2024. These figures have not been adjusted for inflation.

9. In parallel the impact of growth in demand for places must also be considered. If growth continues at a rate of 7% per annum (as current projections to 2020 suggest), by 2024 there will be a need to place an additional 705 children and young people in specialist placements, compared with 2019/20. The early modelling indicates that if no new provision is developed and all additional demand is met in the independent sector the cost of this by 2024 would be an additional £41.6million per annum. If all growth can be met within the new local specialist offer the cost per annum by 2024 will be an additional £17.6million per annum to accommodate the same level of growth.

10. In 2024/25, once the growth cost of £17.6million is offset by the savings of £8.25million through reduced use of independent specialist placements the net cost of meeting growth at a rate of 7% per annum cumulatively will be £9.4million.

11. In considering these projections it should be noted that the modelling does not yet take account of growth in revenue costs from additional children with SEND placed in mainstream settings; the net impact of transitional protection; inflation; the costs of servicing borrowing to enable capital

investment; or the impact of early intervention strategies designed to reduce demand for specialist placements and levels of need. Current unmet need also needs to be added as this will create an impact of demand for additional places early within the five-year period. It also assumes that we will be able to successfully reintegrate all children and young people into the local offer at the timings projected. In addition this work does not yet take account of any changes in Early Years Funding as this review is not underway.

12. The next step in the modelling work will be to gain a more accurate projection of growth expected over the next 5 years as part of an update of the SEND Sufficiency data and to extend the modelling work to incorporate factors set out in paragraph 11 above. As this information becomes available the model will be refined and developed to increase its level of reliability.

The Current Situation

13. There is considerable pressure on our High Needs Block which is currently overspent by £7m. This is due to an increase in demand for SEND provision, both in terms of volume and complexity, which has resulted in an increased number of children and young people being placed in Independent Specialist Provision because Suffolk does not have enough local specialist placements. Independent Specialist Provision can cost over twice as much as specialist placements in our local offer and therefore puts a huge strain on our High Needs Block.

14. We currently have just under 270 children and young people attending an Independent Specialist Placement and we spend over £16m on this provision annually. Fees for children placed within an independent setting vary from £40,000 to over £100,000pa, with a current average cost of £59,600 per place. In assessing this situation, it is also important to take account of the impact and cost of these children being educated a long way from their home communities.

15. When a child or young person is educated through our Local Specialist Offer the cost of their provision is funded in accordance with our local funding formula. Therefore, for example, a place for a child in a Special School in Suffolk is £10,000 per place plus an additional top-up amount based on the child's needs, according to the High Needs Banding rates A-I. Typical rates therefore range between £15,500 and £30,000 per place.

16. At the last Schools' Forum it was reported that work was in progress to review the funding rates allocated to each band and the cost of typical provision made by schools for children within that band. This work is now complete and demonstrates that all the current band rates are reflective of the typical costs of meeting the needs of a child within that band. It is therefore not proposed to suggest any rate changes to the current high needs bands at this time. The current banding rates have been used in making the financial projections in this paper.

17. To understand the future demand for SEND placements across Suffolk projections based on existing data have been undertaken. Currently the SEND Sufficiency data published in 2017 projects 20% growth in the numbers of children with SEND in Suffolk over three years. These projections do not extend beyond 2020 and need to be updated to provide a more accurate projection of growth. Work is currently being planned to publish a new sufficiency data set during the first half of 2020 which will be used to refine the growth modelling for future demand. In the meantime, the assumption of 7% per year increase in demand across the next 5 years has been applied.

18. Suffolk County Council's Cabinet have agreed to capital borrowing of up to £22m over 2 years as part of a £45m programme, to support the development of over 800 new specialist education places within 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 Chalk Hill Academy (formerly Hampden House PRU).

The Model

19. The modelling exercise undertaken so far has two elements, firstly modelling cost reductions as a result of reducing current reliance on Independent Specialist Placements and secondly modelling future demand and therefore predicting future cost avoidance.

Modelling Cost Reductions

20. An exercise was undertaken to review each individual child/young person that currently attends a Specialist Independent Provision to model their future education journey in the context of the new local specialist offer that will be established between September 2020 and 2024. Our aim was to identify which of the following options was most likely to be appropriate for them in each year between 2020 and 2024, based on their circumstances:

    a. Move into Existing Pre 16 Local Offer
    b. Move into Post 16 Local Offer
    c. Move into a New Special School
    d. Move into New Specialist Unit
    e. Leave education
    f. Stay where they are for the next five years

21. Criteria used in planning each individual's pathway included avoiding crucial times in their education such as entering and finishing KS4; the ability of the extended local offer to meet their needs, and the assessment of the risks/probability associated with a return to the local offer.

22. When looking at the costs of places within the new local offer, all places were modelled using the new Suffolk High Needs Funding system and every child was either banded or given a notional banding.

23. An example of how the modelling has been used in practice would be for the Sir Bobby Robson School, the new SEMH School opening in Ipswich in September 2020, initially offering 30 places. Our Family Services Team worked with Unity Trust to identify 19 learners currently educated in independent specialist settings who have a primary need of SEMH and who were appropriate to move into the new school from September 2020. This means there will be 19 places for which there is a direct cost reduction. While the remaining 11 places in the 2020 intake will be available for new admissions to specialist provision and will therefore be counted as growth/cost avoidance.

Modelling Growth/Cost Avoidance

24. Following on from the exercise to model savings we did an additional piece of modelling to calculate the balance of places left for growth and to project the potential cost of growth at 7% per annum to model the impact of this on the high needs block where placements were provided totally through the local offer and totally through independent specialist placement. This provides a measure of the cost of growth and cost avoidance as a result of the capital programme.

25. In parallel we also modelled the cost of the planned growth in available places over the 5 years – which does not follow the same flat line 7% profile – with greater numbers of places coming forward in some years than others. We calculated this by taking the total commissioned places being delivered through the development of new local specialist placements and subtracting the number of places we would require for the current cohort of children and young people currently in Independent Specialist Placements. This left us with the number of places available to meet our growth (which includes current unmet need).

What the Modelling Tells Us

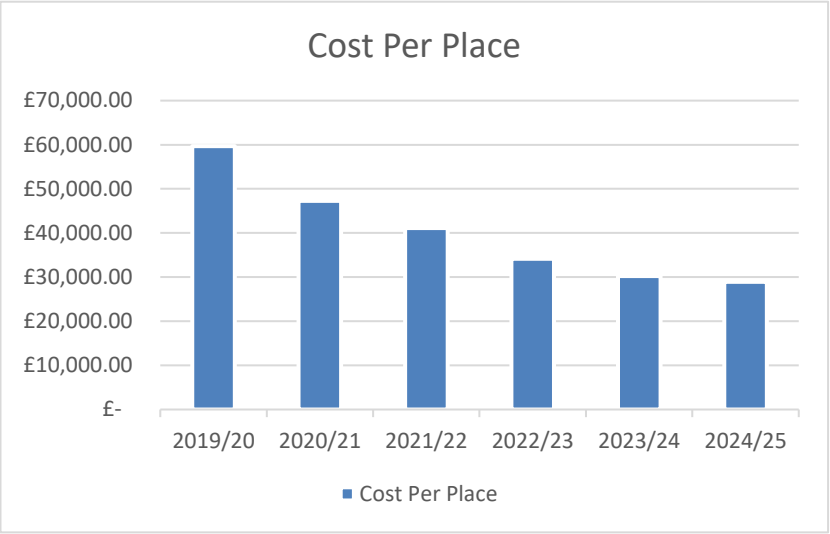
Cost Reduction

26. The below table shows a breakdown of the 269 children and young people and when/where we have modelled them to move to:

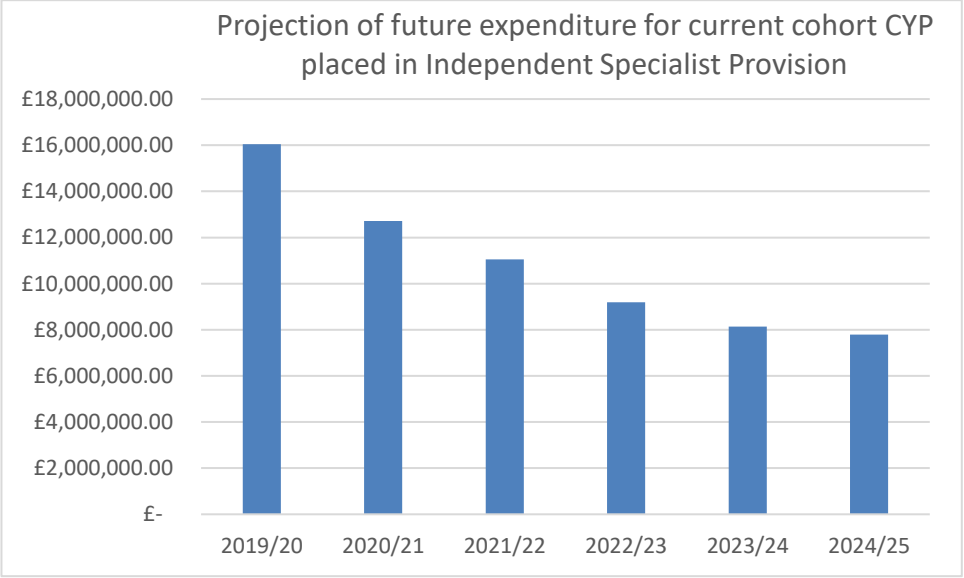
Destinations for 19/20 Independent Specialist Cohort	2020	2021	2022	2023	2024	Total
Move to New Pre 16 Offer	21	8	26	6	3	**64**
Move to Local Post 16 Offer	65	49	32	19	6	**171**
Move to existing Pre 16 Offer	4	4	2	0	0	**10**
Leave Education	10	0	0	0	0	**10**

Leave as is for next 5 Years	14	0	0	0	0	**14**
Total	**93**	**53**	**34**	**19**	**6**	**269**

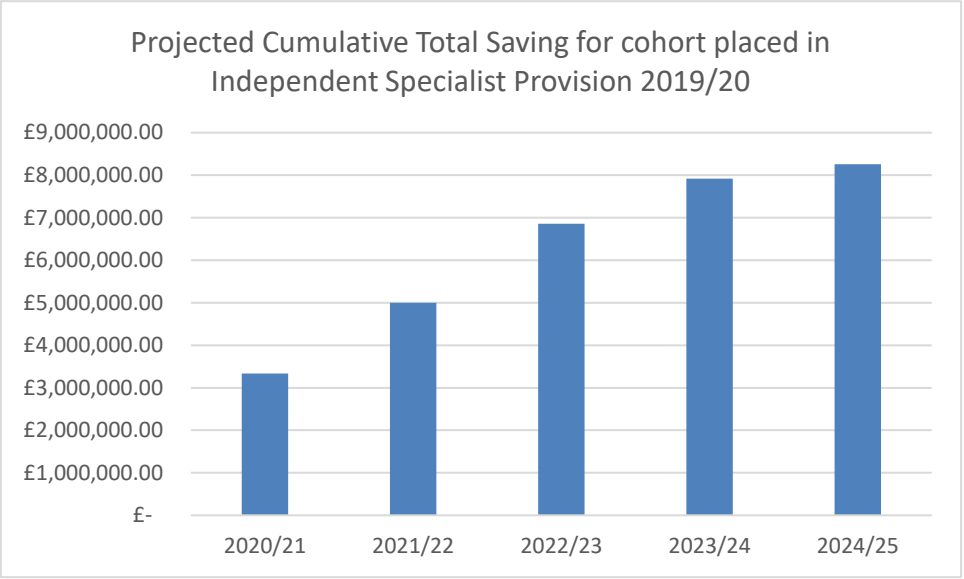
27. The modelling we have undertaken so far has identified that over the next 5 years by reducing our reliance on the independent sector we can reduce our average cost per place per annum for this cohort from £59,600 to £28,900 per annum. This reduction in cost is demonstrated in the graph below:



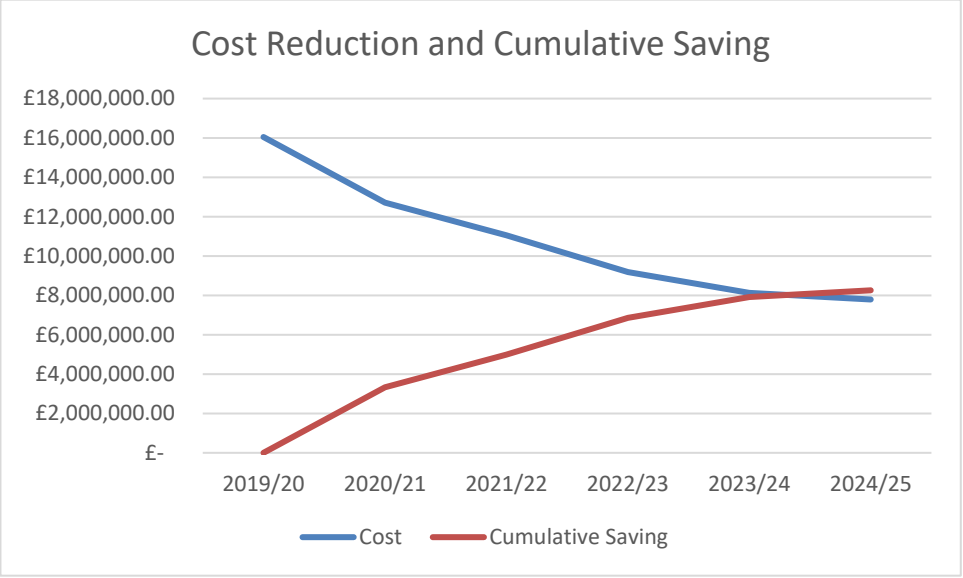
28. The total financial impact of this change will be a cost reduction from current expenditure for this cohort of £16m to £7.8m by 2024. The graph below demonstrates this. This calculation takes into account the cost of making this provision locally for children returning so is a net reduction.



29. Through the modelling we therefore achieve a cumulative saving of £8.2m over the next 5 years:



30. The final graph summarizes the impact of this part of the programme, showing the cost reduction over the next 5 years alongside the cumulative savings across the same period of time. The graph demonstrates that by 2023/24 we will be reducing costs of school placement by nearly 50% for the cohort of 269 children and young people currently in Independent Specialist Placements:



The Cost of Growth in New Specialist Placements in the Local Offer

31. In considering the effect of the overall capital programme on the high needs block over the next 5 years it is important to also consider the impact of

growth in demand for new specialist placements and the revenue costs of the establishment of the new special schools and new specialist units.

32. Growth in demand up to 2020 has been projected at 7% per annum. If this projection is extrapolated forward this would indicate a requirement for an additional 705 places by 2024/25. The current plan for the SEND Capital Programme has the potential to provide an additional 856 specialist places so this will support additional demand beyond the 7% if necessary and will support growth beyond the 5 year period.

33. Both the costs of the currently projected flat line 7% growth and the potential rollout pattern for new specialist placements have been modelled in the tables below.

Cumulative Cost of Growth at 7% pa	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	1752	1875	2006	2146	2297	2457
No of additional places needed		123	131	140	150	161
Cost of additional places in local offer	£0	£3.06m	£6.35m	£9.85m	£13.6m	£17.6m
Cost of additional places in independent spec	£0	£7.23m	£14.98m	£23.26m	£32.13	£41.61m
Cost avoidance through developing new local places	**£0**	**£4.17m**	**£8.63m**	**£13.41m**	**£18.51m**	**£23.98m**
Local offer costed at £25,000 per place, Ind Spec costed at £59,000						

Cumulative Cost of Growth based on timings of places being commissioned	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Places Commissioned	1752	1752	1881	2,188	2,330	2,523
Additional Places	0	129	307	142	193	85
Total Places	1,752	1,881	2,188	2,330	2,523	2,608
Percentage Increase	0%	7%	16%	6%	8%	3%
Cost of additional places in local offer	£0m	£3.23m	£10.91m	£14.46m	£19.29m	£21.42m
Cost of additional places in independent spec	£0m	£7.62m	£25.75m	£34.13m	£45.52m	£50.55m
Cost avoidance through new local places	**£0m**	**£4.39m**	**£14.84m**	**£19.67m**	**£26.23m**	**£29.13m**

34. The total growth in places in this approach over 5 years is 8% per annum cumulative. The profile of commissioning of new places can be varied according to how many places are commissioned in each of the specialist units and new specialist schools. We will need to commission at least 75%

capacity in each new unit to ensure viability for the host school.

35. The final piece of modelling undertaken in this first stage was to consider the impact of both growth costs and cost reductions from reducing reliance on specialist placements. This provides a first indicator of net impact of the capital programme on the high needs block using the flat line growth projections at this stage. Further projections will need to be modelled for the profile of actual commissioned places within the new offer once this is determined for 2021. Currently only new places for 2020 have been finalised.

Summary of impact of Capital Programme	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Cumulative Cost of Growth based on timings of places being commissioned	£3,230,000	£10,910,000	£14,460,000	£19,290,000	£21,420,000
Cumulative Saving from reduced use of Ind. Specialist Placements	£3,334,315	£4,995,157	£6,856,090	£7,916,132	£8,256,683
Net cost of growth	**-£104,315**	**£5,914,843**	**£7,603,910**	**£11,373,868**	**£13,163,317**

36. In considering these projections it should be noted that the modelling does not yet take account of:

- growth in revenue costs from additional children with SEND placed in mainstream settings;
- inflation for independent specialist placements;
- the costs of servicing borrowing to enable capital investment;
- the net impact of transitional protection
- the impact of early intervention strategies designed to reduce demand for specialist placements and levels of need.

It also assumes that we will be able to successfully reintegrate all children and young people into the local offer at the timings projected.

37. A further factor yet to be incorporated is current unmet need for children already identified. This includes children who are currently without a school place and those receiving alternative tuition and bespoke packages. This will be our next priority in terms of modelling individual pupil pathways into

the new offer. All these factors will need to be added into the model as part of further stages of modelling and refinement.

Impact on High Needs Block Budget for 2020/21 and Beyond

38. In terms of impact on the overall High Needs Block for 2020/21 onwards the projections in this initial phase of modelling indicate that there will continue to be considerable pressure on the block in the short and medium term, however the strategy to create new local specialist placements will reduce this cost pressure to half what it would be without this approach. While the plans for reduction in reliance on independent specialist placements balance out the costs of new local places in 2020/21 there are other cost pressures that need to be considered when assessing the overall budget impact. The second stage of the modelling will assist with this and therefore we will be in a much stronger position to project the expected expenditure in 2020/21 at the early January Forum meeting.

39. The additional £10.5m funding allocated by DfE to Suffolk in 2020/21 for High Needs Funding will offset the current level of projected deficit in 2019/20 of £7.5m and will leave a balance of funding to meet the likely growth in demand for mainstream placed children and contribute to funding the shortfall in the central services block, however current projections indicate there will be very limited funds available to reduce the historic deficit in the DSG. In 2021/22 the development of new additional places in the local offer will create a net cost pressure of £5.9m and it is unlikely that even if the DfE continue to increase their budget allocation for 2021/22 by £10.5m this will enable us to deliver a balanced budget for HNB.

40. As the DSG deficit at the end of this financial year will be over the 1% threshold allowable, the DfE will require a recovery plan to be submitted by 30/6/2020. This will need to show how Suffolk would plan to reduce the HNB costs to be within budget in the future – this could include a commitment to transfer monies from the DSG schools block to enable spending to be within a revised budget. The DfE's current expectation is that costs are reduced as a minimum to allow annual spend to be within budget within 3 years but acknowledge that reducing the outstanding deficit is likely to take longer. This recovery plan needs to be agreed by Schools Forum and so we would plan to have to that discussion at the April Schools Forum and confirm at a forum in late June the response to be submitted.

Next Steps

41. Following feedback from Forum on the phase 1 modelling work, further work will be completed to refine the model and add in the factors currently not included within the first stage. This is planned as follows:

January 2020 Forum

- growth in revenue costs from additional children with SEND placed in mainstream settings
- inflation for independent specialist placements
- the costs of servicing borrowing to enable capital investment
- the net impact of transitional protection

April 2020 Forum

- Pathway for all individual pupils who currently have no school place or individual tuition

October 2020 Forum

- the impact of early intervention strategies designed to reduce demand for specialist placements and levels of need.
- Applying remodeled growth projections from the updated Sufficiency Plan data

Timescale yet to be agreed

- Early Years High Needs Funding