

<b>Committee:</b>	Schools Forum
<b>Meeting Date:</b>	13 October 2016
<b>Title:</b>	High Needs Funding – securing a sustainable service
<b>Author:</b>	Fiona Heath, Cheryl Sharland, Georgina Green
<b>Decision making / consultative / information:</b>	Decision making
<b>Who can vote?</b>	All Schools Forum Members

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

1. To agree (Option 3) to transfer £3.0m of the DSG from the schools block (0.76%) to the high needs block in 2017-18 to partially address the financial pressures faced by the high needs block. Note this will reduce the 2017/18 AWPU by approximately £33.
2. To note that this will not in itself provide a sustainable basis for high needs provision, and this will need to be linked with other changes to high needs provision and funding that are being developed. These will include
  - a) To agree a review of the bandings used for special schools and PRUs is completed so that there is a redistribution of funding within the current funding allocation.
  - b) To review the level of top ups to mainstream schools and the associated bandings.
  - c) To cease the process of charging for medical tuition, these costs will now be met from the high needs block and not charged to schools budgets.
  - d) To continue to develop additional in county provision, through the Free School route and/or additional places in existing provision to reduce the number and costs of out of county placements.
  - e) To continue to review other services funded from the high needs block, including but not limited to AP, residential, SEND services and further develop the SSC model across the county.
3. To establish a working group which will include both high needs providers and mainstream providers to look at the projected demand and how this can best be facilitated, to consider different options to fund services as well as to review the appropriateness, cost effectiveness and alternatives to SEND services.

## **Reason for recommendation**

4. The local authority has a statutory duty in terms of pupils with SEND and in addition, under Section (19) of the Education Act 1996 to provide appropriate full time education for those pupils who have been permanently excluded. In addition, Suffolk County Council is responsible for ensuring that pupils with health needs are not at home or in hospital for more than 15 working days without access to education: this may be consecutive or cumulative with the same medical condition.
5. The HN block is a locally determined allocation and is the third lowest in the country. As Forum are aware we have overspent on the high needs block for a number of years, but have covered this from underspends on other parts of the DSG. In 2015/16 we overspent on the DSG by £0.4 million as a whole and in 2016/17 we are forecasting a DSG overspend of £3.1 million to SCC Cabinet. As there are no DSG reserves left this is an unsustainable position.
6. The high needs provision needs to be adequately funded whilst providing a good quality and cost effective provision. An increase in funding from the schools block to the high needs block will provide some lead in time for the initiatives and changes to the high needs provision to be implemented and the cost benefits achieved. The proposed funding reform for early years will mean it will not be an option to transfer funding from the early years block with effect from April 2017.

## **Alternative options**

7. Do not transfer funding to the high needs block in 2017-18. The high needs overspend will be funded from AWPU in 2019-20 under current funding arrangements.
8. Alternatively, we could look at severe cuts to high needs provision, bringing the budget into balance but requiring schools to manage children with more complex needs from within their current delegated budgets. This option has a very high level of risk which could result in an increase in permanent exclusions leading to an increase pressure on AP and high cost out of county placements.

## **Who will be affected by this decision?**

9. All pupils with SEND will be affected whether they are in early years settings, mainstream schools and academies as well as special schools and alternative provision. If the recommended option is adopted all pupils in Suffolk will be affected.

## **Main body of the Report**

### **Background**

10. The high needs block funding supports the provision of pupils with SEN and disabilities (SEND), from their early years to age 25, and education for pupils who cannot receive their education in schools. This includes those pupils in

mainstream schools whose provision costs more than £10k per annum to support and all pupils who are in receipt of specialist provision.

11. Annex A provides a breakdown of the current allocation of the high needs block funding.
12. The high needs block provides the place funding in special schools, alternative provision, small group provision (including SSCs, HIUs for example) and for out of county placements. The cost of out of county placement alone is approximately £9m for 218 pupils.
13. The high needs block includes funding for top up across all settings, including mainstream schools and academies, and expenditure totals approximately £20m.
14. In addition, the high needs funding supports a range of SEND services including Education Other Than At School (EOTAS), County Inclusive Resource, Behaviour Support Service and the Dyslexia Outreach Service.

### **Financial pressures**

15. The financial pressure on the high needs block has been reported to Schools Forum on a regular basis over recent months. In 2015-16 the high needs block overspent by £2.35m (5.4%) against a budget of £43.46m.
16. The main areas of overspend were the high cost out of county placements, EOTAS costs increasing, support and re-placing pupils from PRUs in Ofsted categories and increased costs of top up funding due to the higher number of pupils as well as increasing level of need.
17. The high needs overspend in 2015-16 was largely mitigated by underspends of other DSG budgets (which will not be possible in future years), nevertheless the net overspend of the DSG budget will be recovered from the DSG allocation to schools in 2017-18.
18. The current forecast for 2016-17 is a £3.95m overspend (8.8%) against a budget of £44.66m. DSG as a whole is forecast to overspend by £3.1 million due to underspends elsewhere whilst this is less than 1% of DSG this position is unsustainable.
19. The areas of overspend are similar to those reported for 2015-16 i.e. the increased number of children who are unable to attend school due to ill health or exclusion, the increase in SEN needs of children in mainstream education (including post 16 learners) leading to higher top up payments, many of the external 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. These are recurrent cost pressures. A further cost pressure, albeit a non recurrent one, is the double funding of placements for pupils who would otherwise have attended Kingsfield PRU (this cost pressure of approximately £1m per annum will cease once the provision is functioning at full capacity).

20. The increased financial pressures on the high needs block outlined above reflect the upward trend in demand and complexity of the demand. In addition, income previously received from schools and academies to partially offset medical tuition and permanent exclusion costs is decreasing and this in turn places additional cost pressures on the high needs block.

21. We have completed an analysis of need to try to identify future demand in Suffolk and estimate that to meet the continuing growth in needs we require an additional 100 places in specialist provision including SEMH, ASC, complex SLD with challenging behaviour by 2018. The average costs of this are estimated at £25k per place (£10k place funding and £15k top up) which puts them in the median cost bracket for places in Suffolk.

22. **Table 1** Summary of forecast cost pressures on the high needs block in 2017/18

<b>Financial Pressures</b>	<b>Estimate (£000s)</b>
100 specialist provision	2,500
Top ups	1,000
Out of county	1,000
Loss of income from medical tuition charges*	235
<b>Total</b>	<b>4,735</b>

\*This is not the full cost of medical tuition as it does not include AP medical provision and local hospital tuition.

### **Responsibility**

23. The financial challenges of the high needs provision are a collective responsibility, not just that of the local authority or the high needs providers.

24. The impact of the funding decisions will affect pupils with SEND whether they are in early years settings, mainstream schools and academies as well as special schools and alternative provision.

25. It is essential that a funding decision is taken by Schools Forum without any further delay, to address the financial crisis, to understand the consequences of the decisions and enable the appropriate actions to be understood and implemented.

### **What is being done?**

26. There are a number of initiatives that have been implemented to improve the provision and manage demand in a cost effective way. Some of these initiatives have resulted from the LA and schools working closely together to achieve innovative and successful local solutions. Five examples are summarised below.
27. **The Bridge Special** School opened new provision for post 16 learners with complex needs/challenging behaviour in September 2016. This new provision will provide 8 places in year 1, increasing to 24 places in 2020 and has enabled us stem the flow of post 16 learners from south Suffolk who would have had to be placed in out of area specialist provision to have their educational needs met. In addition, we have established a residential offer for this profile of need which has resulted in 2 young people returning to Suffolk from out of area specialist provision.
28. SCC conducted a Academy Presumption process to secure **a new 50 place school to support pupils with SEMH in Carlton Colville**. Catch 22 will be the provider of the new school which will open in September 2017 for young people aged 9 – 16 years. Catch 22 have a history of working with young people with special educational needs and difficulties across the UK, and as a multi-agency trust have existing schools to support this cohort of learner which are all Ofsted rated good.
29. **Increased numbers and reduced unit costs have been achieved in PRUs**. First Base PRUs (KS1) have increased the number of pupils by 20% fte with no additional budget and all KS2 to 4 PRUs have increased their intake by 10% with no additional budget. Overall this has meant an increase of 55 places in Alternative Provision across the county.
30. **New provision for 16 post 16 learners with complex needs/challenging behaviour** opened in September 2016 in Bury St Edmunds. SENDAT is the provider of this new service which is based at Angel Hill in the centre of the town. This new project will support pupils with an EHCP into further education and/or employment.
31. **The introduction of IYFAP** has been instrumental in reducing the number of permanent exclusions in the county. Since academic year 2013/14 permanent exclusions have reduced by 20% whereas nationally they are increasing by 12%. Unfortunately, this has not translated into a reduced demand for Specialist or Alternative Provision as the number of pupils and the complexity of need has increased. However, what the IYFAP is encouraging is the move towards the 'collective responsibility' and using the 'collective resource' more effectively. For example in the North we have developed an ASD provision with Beccles Primary School (Reach2) for KS2 and 3 pupils who would normally have been referred out of county. Although the LA has funded a secondment of a teacher for the KS3 provision funded from the High Needs Block, the high schools will be providing the TA support for their individual pupils. Therefore, the majority of the staffing will be provided by the schools from their resources and not provided by the LA. The idea being that the strategies learned by the TAs through this intensive intervention will be transferred back into the school setting and the pupils will remain in

mainstream school. The cost per place is approximately £19,724 for the authority compared to approximately £40,000 to £80,000 placement cost for out of county placements.

In the South we have convened a working group between LA Officers, Parkside and secondary school leaders to develop more grouped provision for pupils with medical conditions who cannot access Parkside PRU. The brief is clear that the schools will fund this and directly commission from Parkside PRU.

## **Going forward**

32. Suffolk is one of the lowest funded authorities for high needs and it is hoped that the national high needs funding reform will increase the level of high needs funding in Suffolk. However, stage one of the consultation stated that any changes to high needs funding will be implemented over a period of at least 5 years. Following the announcement in July that the implementation of the proposals will be delayed a further year, Suffolk is unlikely to receive an increase in high needs funding until 2022-2023. Even then, the funding may not be sufficient to meet the demand in full. We therefore cannot rely on this as the solution.
33. Clearly, whilst additional funding is needed, this on its own will not solve the problem. We need to develop a sustainable and long term strategy to address the funding pressures in the immediate future and put the high needs block, and the DSG as a whole on a sustainable footing.
34. The funding of high needs is considered to be one of the three top financial risks in Children and Young People (CYP) and governance arrangements at officer level have been established to oversee the strategy and financial recovery of high needs.
35. It should be noted that it has been proposed by some schools that the LA should meet the costs of high needs provision, and that these should not fall on DSG. This is not an option as these costs are a legitimate part of DSG which is ringfenced funding. The LA has seen a reduction in funding of over 25% in cash terms whilst the DSG has been held at flat cash levels so there would be no opportunity to provide funding from the LA budget to cover DSG expenditure without massive cuts to front line services. This is therefore not a practical option.

## **Options**

### Option 1: Do nothing

36. Under current funding arrangements, if we do nothing, the DSG as a whole will overspend. The overspend will be recovered by top slicing the AWPU, albeit with a time lag of two financial years. The use of DSG reserves to fund an overspend is no longer an option.
37. However, the current position of an ongoing overspend against the high needs block is not sustainable. The high needs provision needs to be adequately funded whilst providing a good quality and cost effective provision.

## Option 2: Manage within Current Financial Envelope

38. To manage the provision within the current funding envelope, it could be necessary to reduce the expenditure on the provision of the service e.g. reduce the number of PRU places, lower the top up funding for mainstream schools, and make other service reductions.
39. This will inevitably result in a reduction in the available services and support for high needs and will have a negative impact on all pupils with SEND and those at risk of permanent exclusion. Because the number of preventative strategies and interventions available to schools will be reduced the opportunity to skill up mainstream staff to embed an inclusive culture in schools will be lost.
40. It may not be possible to meet the required standards for high needs provision.

## Option 3: Funding Transfer from Schools Block

41. Under the current funding regulations, Schools Forum could agree the transfer of £3m additional funding for high needs from the schools block, including the centrally retained funding, and/or from the early year block.
42. However, if the proposed early years funding reform is implemented from April 2017, it will no longer be an option to transfer funding from the early years block as the funding reform states that 95% of funding should be passed directly to early years providers. (In addition, the indicative figures show that the DSG funding for early years in Suffolk could be reduced to 10% below the current level of spend meaning it is very unlikely that any transfer of funding from the early years block would be possible).
43. If Forum agree to transfer £3.0m from the schools block to the high needs block, the funding could be allocated to partially address the current financial pressures as summarised in Table 1 above. The remaining shortfall of £1.7m will be addressed through rationalisation and remodelling of the high needs provision and services.

## **Next Steps**

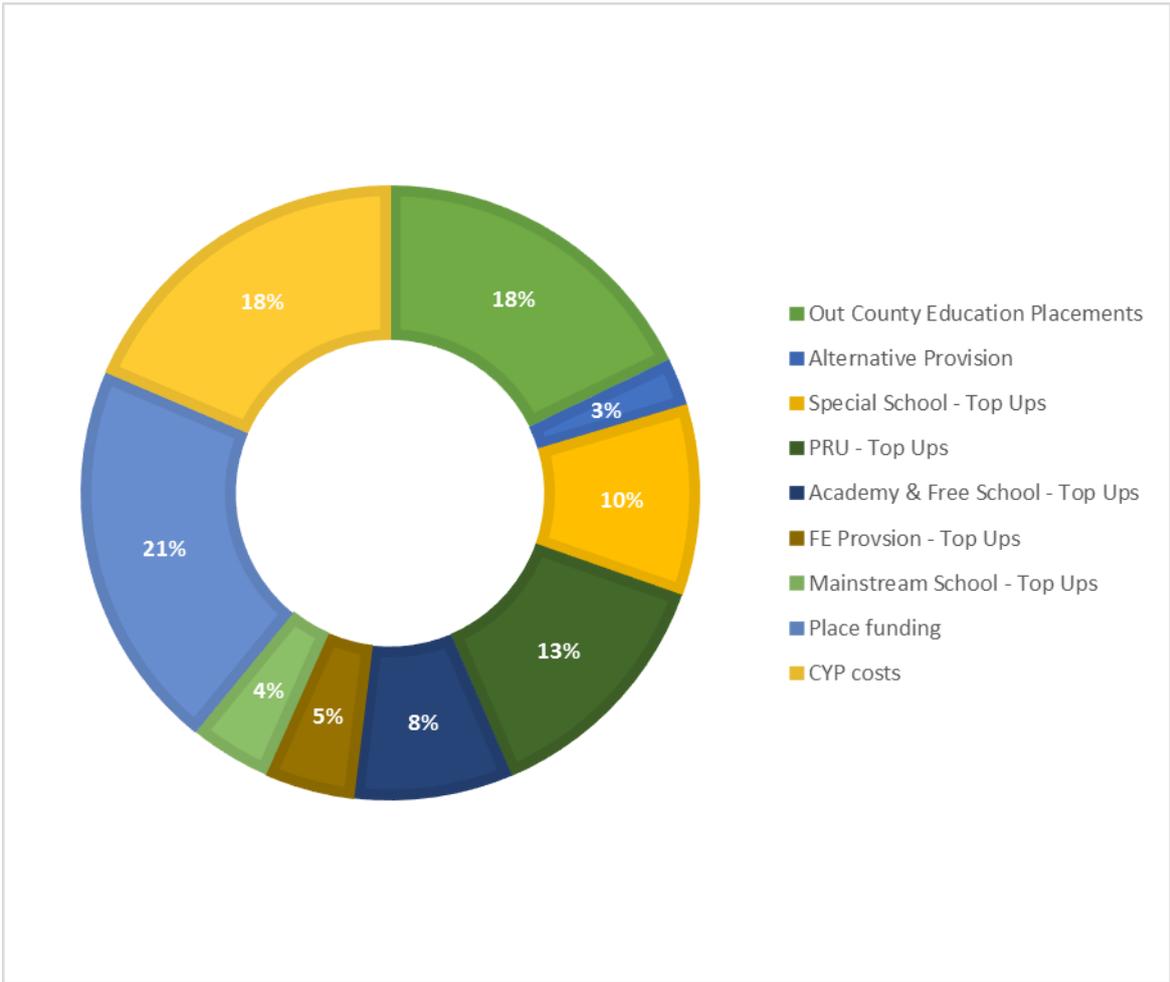
44. Establish a working group which will include both high needs providers and mainstream providers to look at the projected demand and how this can best be facilitated, to consider different options to fund services as well as to review the appropriateness, cost effectiveness and alternatives to SEND services.
45. To inform future work on the model of high needs provision, a number of actions are planned and summarised below.

46. Visits to special schools and alternative provision will be arranged for Schools Forum members from mainstream schools to increase understanding and encourage improved dialogue between heads and governors.
47. Involvement of other stakeholders including SPHA, SASH, Academies Forum, Special heads, PRU heads to gain their views, ideas and support.
48. Work to define the estimated demand and need has been undertaken and is an ongoing process. This information will be used to develop the model and location of future provision.
49. A review of the bandings used for special schools and PRUs is planned. The historical anomalies resulted from using the 2012 budgets as the baseline for the revised bandings. The local authority has received numerous requests from the special schools and PRUs to review the bandings so that the system is more equitable. However, the review of the bandings will reallocate the current funding between providers (there will be no overall increase in the funding for bandings) and the revised bandings will be implemented over a period of time to prevent turbulence.
50. The working group will identify other opportunities for efficiencies through service redesign.

### **Timescales**

51. Schools Forum will continue to receive updates on the progress of the work and on any proposals relating to changes to the high needs service and support provided through the high needs block.

Annex A Allocation of high needs block funding 2016-17



CYP costs include SEN service (including outreach service and equipment), dyslexia outreach service, county inclusive resource, medical, sensory service, not school net, inclusive services management team.

