

Report to: Schools Forum

Date of Meeting(s): 3rd November 2016

Subject: School Funding Formula (SFF) 2016/17 – High Needs Block Update

Report of: James Winterbottom – Director Children and Families

Contact Officer: Alan Lindsay – Assistant Director Education
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Summary: To update Schools Forum on the latest High Needs DSG position

Recommendation(s): For Schools Forum to note the contents of the report and agree to fund the deficit on the High Needs block from centrally held DSG reserves for 2016/17. For 2017/18 to consider a transfer from the schools block to the high needs block to fund the pressures.

Implications:

*What are the **financial** implications?* n/a

*What are the **staffing** implications?* n/a

Risks: n/a

Please list any appendices:-

Appendix number or letter	Description
N/A	

1. INTRODUCTION

As reported to Forum members in January there are significant pressures on the block. The National Funding Formula Review has been deferred by another year so the future funding position is uncertain. The financial pressures and growth faced within the High Needs Area is a national issue, DfE do recognise this and an uplift to the block has been mentioned but we have no details, at this stage.

2. NATIONAL PICTURE

Many Local Authorities have a deficit in the High Needs block which is being filled either by the last of reserves or movements from other blocks. The first consultation implied that movement from other blocks will be unlikely in the future. This has to be a significant concern for us all in providing future support for our most vulnerable pupils. The F40 (most poorly funded local authorities) group asked for information on the position of the High Needs Fund across its member authorities below is a flavour of some of the issues.

Herefordshire

Forecasted an overspend in High Needs for 2016/17 of £1m which is a 7% pressure. A package of cuts and reductions and invest to save proposals were agreed for 2016/17 to set a balanced high needs budget.

Leicestershire

Historic £2m per year transfer from Schools Block. Further 1% reduction in AWPU for 16/17 to fund pressures, and HNB given a savings target. Forum advised of this action but not asked to sanction it. 15/16 HNB overspend funded from DSG reserve, similar action likely for 16/17.

Plymouth

Overall DSG funding gap in 2016/17 of £250k that is being covered by the last of our contingency. Historically £2m transferred from the Schools Block to the High Needs Block. In 2015/16 the HNB overspent by £300k despite having an additional £1.8m from the Schools Block.

East Riding

In 2015/16 the high needs budget overspent by £0.790m, with an expected overspend of £0.949m (5%) forecast for 2016/17. The 2015/16 overspend was met from central schools reserves. No decision has yet been taken on how to fund the 2016/17 overspend, although expect the reserve to be called upon again. This would use up the remaining central schools reserves.

Hampshire

Last year moved £4m from schools block to High Needs block and anticipating needing to do at least that again this year.

Wakefield

Funding gap of £1.8m (7%) when setting the 2016/17 budget. Schools Forum approved redirecting £905k from the other two blocks of DSG. The balance of £895k is being funded from DSG central balances.

Warrington

Started 2016/17 with a £791K (4%) funding gap – that includes £267K transferred to Early Years block because of our low level of funding there (we will be a beneficiary of the EY consultation proposals if they prevail).

South Gloucestershire

Significant overspend being projected by the end of 2016/17.

Dorset

Previously there has been around £0.7m pa underspend but this looks like converting to £2m overspend last year and a further £2m this year.

Devon

In 16/17 £1.5m was transferred from the Schools Block to the High Needs Block, which was felt was all that was required. However, the overspend is forecasted to be £3.2m and continues to remain under great pressure. Although work is now underway to contain this there is still considerable risk, with our review for month 4 seeing an additional £385k in forecast spending just in the current financial year.

North Yorkshire

Transferred £1m from the Schools Block to the High Needs Block in recent years to cover pressures.

Oxfordshire

Overspend is anticipated to be in the region of over £1m and this is after LA and Forum agreed some changes to the 2016-17 budget.

Staffordshire

High Needs block is about £62m. In 2015/16 £2.4m use of DSG reserves were required. In 2016/17 £1.3m of DSG reserves and £1.7m from school block has been earmarked to enable a realistic budget to be set. This approach is unsustainable given the intention to ring fence between blocks and a dwindling DSG reserve, which is also required to prop up our Early Years Block.

Somerset

Pressure in 15/16 just under £2m (6.8%) and £2m (7.1%) for 16/17. Shortfall in 15/16 funded from reserves, but reserves have been fully utilised, so likely deficit at the end of the year. Likely to approach Forum for Schools Block funding to cover HNB deficit.

Trafford

£500k of reserves used to balance the high needs budget after using £900k from the School's Block and introducing a savings target within HN of £300k. Only carried forward reserves of £787k so this is not sustainable, not sure how it will be dealt with this next year as schools are struggling to set balanced budgets.

Swindon

Historic support from Schools and EY Blocks £2.6m for 16/17. In 15/16 DSG budget overspent by £889k, leaving DSG reserve at £209k.

KEY ISSUES ACROSS THE LOCAL AUTHORITIES

- Nearly every authority above quoted an increase in numbers of pupils and costs for independent school places.
- Increase in the number of pupils Post 16
- Significant independent college placement prices and courses extending beyond 3 years with no additional funding provided by the EFA.

- Most LAs are seeing increases in the need for special school places.
- A number of authorities have no places and are looking at additional capacity through the capital funds
- More EHCPs are being requested. Transition to EHCPs seems to have meant more expensive assessments. The improved identification of SEN is driving up demand. Schools are applying for funding through EHCPs because there isn't adequate funding within budgets to fund additional needs.
- SEN staff overwhelmed by number of statement to EHCP conversions and annual reviews, to the extent that they are not currently getting involved in annual reviews. Increased capacity required within SEN Casework due to additional workload from annual reviews, leading to delays (funding temporarily supported by the SEN Reform Grant, but another potential long term funding issue)
- PRUs or AP - Most authorities have reported increased exclusions
- Hospital Service/ Health contributions –. There is also an unwillingness of Health in some areas to provide funding, and in many cases reducing funding due to budget pressures. This was highlighted as a key issue in the IPSOS research.
- Social Care Contributions - Some LAs seeing reduced social care contributions due to budget pressures

3. WIGAN'S POSITION AND OUTLOOK

The most significant area of growth and financial pressure are the costs associated with Post 16 provision. This is now predicted to be £2.6m for 16/17 which is £0.6m over budget.

From 2013/14 to 2015/16 there has been a substantial increase in students being funded who are opting for educational placements rather than social care and a large increase in 16/17 years olds not previously stated that are assessed as having SEN needs. We have an obligation to fund these students and this area of work is a target area for the new inspection framework. We currently have 538 students on our caseload compared to 194 four years ago and we do not see that number reducing in the next few years and expect it to continue to rise.

The trend in growth is evidenced by the Y11 cohort last year which had risen by 12: from 121 students in 15/16 to 133 in 16/17. We also have 60 more students in Post 16, due to more staying in learning and new referrals at 19+.

It is difficult to predict future growth at this stage, as the numbers coming through at age 19 are mainly young people who have been NEET since leaving school and are being referred from the Job Centre as they are not able to apply for work due to their poor Learning & N skills, confidence, drug habits etc. There are increased numbers of school breakdowns at Y9 and above; moving children from mainstream to special.

In addition, there are an increased numbers of school breakdowns at KS3 with children moving from mainstream to alternative provision and then onto special schools. The current KS3 alternative provision is full while children are undergoing assessment and waiting for a move back to mainstream settings or onto specialist placements. This is currently a blockage and more bespoke tutoring and packages are being purchased while we look at more longer term solutions.

Supported Internship which is now an offer for SEND is increasing the numbers staying in learning. These students normally would have left after fulfilling their educational programme, but now families see the Internships as the pathway to employment for their children.

The overspend will need to be met by the centrally held uncommitted DSG reserve and/or Early Years Reserve. The current uncommitted level of DSG reserves is just under £1m.

4. FUTURE YEARS

The Government has committed to an uplift in funding for 2017/18 but there is no detail on this yet. There are two ongoing reviews which may release some efficiencies (Outreach and Sensory Team). However these will only release a fraction of the extra budget required. Negotiations with providers has reduced the average cost per placement. More students are being supported on 1:2 and 1:3 basis rather than 1:1 without affecting outcomes. There is a lot more work to do in developing local provision to support numbers.

There are also financial pressures within other areas such as our special school settings and independent provision. A number of internal reviews have released some budget to meet some of the pressures and there is a small reserve to call upon, but the projected overspend for 2017/18 is £0.9m

We therefore recommend, as other Local Authorities have been forced to do, an agreement in principle to transfer an amount from the schools block to support the high needs block if required. The detail will only be known in December with the announcement of the funding details on DSG. The current schools block is £194.2m so £1m for example is 0.5% of the total allocation. The average amount per school based on £1m is £6k per primary and £22k per secondary.

5. CONCLUSIONS

- Forum members to note the contents of the report.
- Members to agree to the use of centrally held DSG reserves to fund the high needs overspend position in 16/17
- Members to agree in principle to a transfer from the Schools Block to support the High Needs Block