

**Item 1: High Needs Block Review**

**1. Introduction**

- 1.1 The purpose of the report is to feedback the conclusions and recommendations following the review of the High Needs Block (HNB).
- 1.2 At a meeting of Schools Forum in March 2016 it was proposed that owing to the inconsistencies in funding and the increasing demands on the HNB the local authority (LA) would undertake a review of the bandings and Individual Pupil Support (IPS) funding process.

**2. Background**

- 2.1 It was agreed that a Banding Review would take place to address the increasing demands and historic inconsistencies of funding top-up allocations. The purpose of this review was to ensure the LA has a consistent and robust process for allocating funding based on pupils' needs, within the set HNB funding allocated by the Education Skills Funding Agency (ESFA).
- 2.2 This funding methodology will apply to SEN learners, in line with national reforms and will allow funding to be allocated based on the assessed need of individual pupils. The review excluded the Pupil Referral Unit (PRU), which was reviewed separately and Post 16 funding, as it is based on an actual cost model in line with Tees Valley arrangements which provides greater economies of scale.
- 2.3 The LA commissioned Anne Hayward, a SEN Consultant who has worked on a national, regional and local level to develop a funding allocation process to meet the needs of young people. The appointment of Anne was welcomed by Schools Forum.
- 2.4 The LA commenced the review in September 2016 and has worked closely with schools to identify the needs of individual pupils and look at the provision in place to meet those needs. Schools have used the draft funding document to place children/young people into the appropriate range. All children and young people receiving funding have now been assigned to a banding range which has been moderated within schools and as part of group exercises.
- 2.5 Throughout the review there has been a town wide process of engagement with schools and other providers. Such engagement has occurred through Schools Forum meetings, specific town wide events for schools and targeted working groups.

2.6 The LA has also moderated a sample of pupils in all schools across Hartlepool. There has also been town wide moderation opportunities provided by the SEND service. This has ensured consistency in relation to identified need. Further support sessions are to be arranged for the 2017/18 academic year to enable schools to become more familiar with the funding process and to ensure consistency in the allocation of funding linked to individual needs.

### **3. High Needs Block**

3.1 The LA is constrained by the level of funding available. The baseline allocation set in 2013/14 was based on historic funding and did not reflect the impact of the education reforms.

3.2 When the funding blocks were established in 2013/14 a decision was taken by Schools Forum to transfer £0.550m from the HNB to the Schools Block. This was at a time when the HNB was historically underspending. The transfer has continued over the past 5 years, including the 2017/18 budget. As part of the National Funding Formula (NFF) the ESFA has permanently transferred this funding into the Schools Block.

3.3 In 2016/17 in the NE region, the majority of Schools Forums agreed to transfer £13m from the Schools Block to the HNB compared to a minority of other Schools Forums agreeing to transfer £2.7m from the HNB to the Schools Block. Of this £2.7m, £0.550m relates to Hartlepool.

3.4 There have been small increases in funding to reflect population growth. This additional funding has not kept pace with the increases in demand or the complex needs of young people with SEN needs. Spending has increased by 13% compared to 2015/16, whereas funding has only increased by 4.5%. The key increase is the demand for Independent Placements and increasing numbers of Education Health Care Plans (EHCPs).

### **4. HNB Previous Years' Expenditure and 2017/18 Forecast Outturn**

4.1 The following table shows the outturn for the HNB since 2015/16. These overspends were funded using LA monies and Dedicated Schools Grant (DSG) reserves. It is forecast that by the end of the 2017/18 financial year there will be a balance of only £0.104m remaining in DSG reserves.

	Year			% Increase
	15/16 Actual £m	16/17 Actual £m	17/18 Forecast £m	
LA Place Funding	1.564	1.560	1.560	-
Independent Schools Fees	0.727	0.866	1.648	90%
Out of Authority Top-ups	0.246	0.271	0.330	22%
Top-up Funding & Support	4.403	4.396	4.451	5%
Post 16 Top-up Funding	0.751	0.707	0.750	6%
High Needs Support Services	0.467	0.467	0.467	-
One-Off Grant (income)	-	(0.042)	-	-
<b>Total</b>	<b>8.158</b>	<b>8.226</b>	<b>9.206</b>	
<b>Overspend</b>	<b>0.187</b>	<b>0.120</b>	<b>0.875</b>	
LA Contribution	(0.107)	-	-	
Use of DSG Reserves	(0.080)	(0.120)	(0.875)	
<b>DSG Reserve remaining</b>	<b>1.099</b>	<b>0.979</b>	<b>0.104</b>	

#### 4.2 2015/16 – Overspend £0.187m

A report to Schools Forum in March 2016 highlighted the pressures facing the HNB regarding increased demands on the IPS budget and the Additional Resource Provisions (ARPs). Schools Forum agreed to the reduction in the IPS hourly rates from £9.90 to £9.00 per hour. This achieved savings of £0.156m in-year which reduced the overall overspend to £0.187m. The savings were not sufficient to cover the increased demands on the block.

#### 4.3 2016/17 - Overspend £0.120m

The overspend of £0.120m was lower than the forecast of £0.260m. This was mainly owing to the delay in securing placements for pupils in independent provisions.

#### 4.4 2017/18 – Forecast Outturn overspend £0.875m

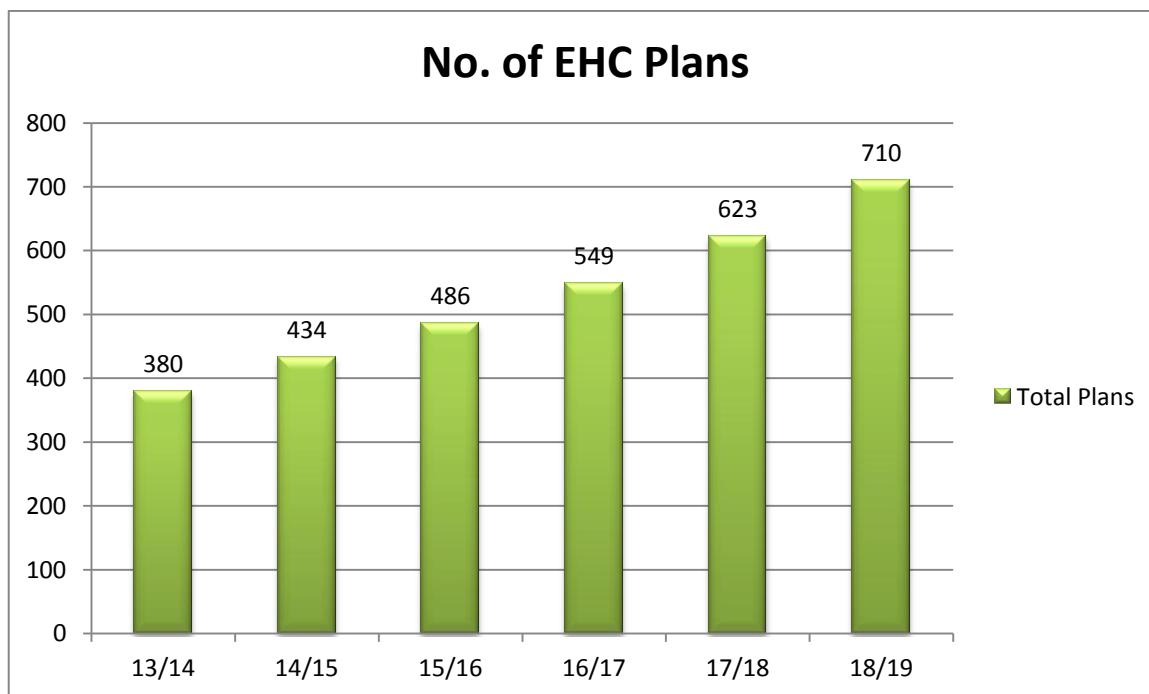
The current forecast outturn for the HNB is an overspend of between £0.875m (worst case) and £0.526m (best case). This reflects the delayed placements from 2016/17 and additional pupils requiring placements in 2017/18 totalling £0.536m. Top-up funding is also expected to overspend by £0.339m. This relates to the ARPs, Special Schools and out of authority top-ups. The overspend will be funded from one-off DSG reserves, leaving a reserves balance of £0.104m to support the 2018/19 budget. Details of the budget are shown in Appendix 1.

## 5 Pressures on the HNB

### 5.1 Pupils with EHCPs

Following the SEND reforms in 2013/14 pupils on EHCPs have increased from 326 in 2012 to 549 in 2017; this equates to a 68% increase. Although there have been small increases for population growth there has been no additional funding from the

ESFA. The chart below shows the growth in the number of EHCPs since 2013/14 and the projected growth for 2017/18 and 2018/19.



## 5.2 Independent School Fees

The demand for independent school placements has doubled compared to 2015/16. This is mainly owing to the increasing demand for specialist provision for Social, Emotional and Mental Health (SEMH) and Autism Spectrum Disorder (ASD), for which the LA does not have sufficient appropriate provision to meet this increasing demand. This mirrors the regional picture in relation to appropriate SEMH provision.

5.3 The table below shows the number of pupils accessing independent provision since 2015/16.

Independent School Fees	2015/16		2016/17		2017/18	
	No. Pupils	£m	No. Pupils	£m	No. Pupils	£m
Day	14	0.625	11	0.581	23	0.843
Residential	<5	0.12	<5	0.278	<10	0.671
Awaiting placement					<5	0.134
		<b>0.745</b>		<b>0.859</b>		<b>1.648</b>

## 6. Reasons for the increase in demand

### 6.1 Pupils moving into Hartlepool from other local authorities

There has been an increase in the number of children and young people moving into Hartlepool from out of area. In 2015/16 thirteen children moved into area,

increasing to nineteen in the 2016/17 academic year. The majority of these arrivals have accessed ARP, specialist and independent provision owing to the complexity of need. Although children have moved out of area, the costs to meet need and maintain appropriate provision for the arrivals is at a greater financial cost which has increased the pressure on the HNB.

## 6.2 Commissioned ESFA Place Funding

For the last three years there has been no additional place funding available from the ESFA to allow the LA to increase capacity within existing provisions. The ESFA have made it clear within all recent guidance and publications that LAs need to manage their current allocation of place funding by ensuring it is strategically commissioned and meets the needs of learners within their authority. This will be considered in the review of ARP provision which is part of the overall HNB review.

## 6.3 Process for Commissioning Out of Area Placements

All requests for independent school placements are procured for pupils with a Statement of SEN or EHCP following the formal consultation process as outlined in the Code of Practice (0-25) and the agreed local and NE12 commissioning framework.

6.4 There has been a significant increase in the number of out of area independent school placements owing to lack of appropriate SEMH and ASD provision within Hartlepool.

6.5 The number of independent specialist places is likely to increase in 2018/19 owing to growing demand. Currently both special schools within Hartlepool are full on place number and also at maximum capacity in terms of physical space. The primary ARP provision within the town is also full.

6.6 Through regional meetings it has become apparent that there is little if any capacity within LA maintained and academy special schools. This therefore increases the need to commission places in independent specialist provision.

6.7 In addition to those pupils already accessing independent specialist provision there are a number of pupils who have been identified as likely to need independent specialist provision. It is projected to cost in excess of £0.315m in 2018/19.

## 6.8 Out of Area Maintained School or Academy

In total 21 young people are placed in provision outside of Hartlepool. As stated above, this is partly attributable to the lack of appropriate provision in Hartlepool to meet need for SEMH and ASD. Hearing Impaired/Visually Impaired (HI/VI) provision is commissioned and delivered on a Tees wide basis making it more cost effective to place out of Hartlepool. The HNB also meets the cost of Looked after Children who have an EHCP or receive IPS funding and reside out of area as the children are legally Hartlepool's responsibility.

## **7. Other Services Funded from the HNB**

### **7.1 Pupil Referral Unit**

The PRU is not included in this review. However, as part of an earlier review, the top-up funding paid in relation to KS3 and KS4 places in the provision has been on an agreed scale of reduction with all top-up payments from the HNB in respect of KS3 ceasing in April 2018, and in relation to KS4 in April 2019.

### **7.2 Commissioned Services from High Needs Block**

The LA commission additional services from the HNB to support schools and young people with additional needs, detailed in the following paragraphs.

### **7.3 Hearing/Visually Impaired Services**

This is a Tees Valley wide Service Level Agreement for the provision of support in mainstream schools to children and young people with a sensory impairment. The service is led by Middlesbrough Borough Council. The cost of the service is split across four of the Tees Valley authorities of which Hartlepool pay a 17% share of the annual cost which is equal to £0.192m. This represents good value for money when reviewing the caseload of young people that HI/VI services work with.

### **7.4 Occupational Therapy**

This service is commissioned with North Tees and Hartlepool NHS Trust to provide specialist paediatric occupational therapy support to young people and staff in educational settings to deliver appropriate therapeutic interventions to meet both individual and group needs. The service supports the development of therapy skills within the broader education team and reduces waiting times as well as time away from the educational setting. The cost of the service is £21k per annum.

### **7.5 Small Steps**

The Small STEPS Team (Specialist Team for Early Intervention, Parent and settings Support) is funded from the HNB. The Small Steps Team offer outreach support, training and advice for adults, including parents/carers, day care staff and teaching assistants. The team support young children aged 0-6 years who have significant additional or learning needs, which are often profound and complex. This also includes ASD and social communication difficulties. The team's focus is on early intervention, supporting adults to gain skills and confidence to meet needs, promoting inclusion, learning and social skills, planning for transitions and encouraging joint working. The Educational Psychology Service provides clinical supervisory oversight to the staff. The total cost of Small Steps is £165k.

## 7.6 Direct Payments (personal budgets)

A small number of young people with SEN are educated at home with a personalised package of education and support. This is paid for by a direct payment or personal budget, generally to a third party managing agent. Packages are monitored by the Virtual Headteacher, the SEND Team and Educational Psychologists to ensure they meet need. The number of packages has reduced significantly over the past two years.

## 7.7 Individual Pupil Support (IPS)

IPS is currently paid on an hourly rate of £9.00 for classroom support, and £4.23 for lunch and break support. Despite the reduction in the hourly rate during 2015/16 the savings made have not been sufficient to address the increasing costs within this area and other areas of the block. Across the town schools receive £1.2m in IPS funding for approximately 350 pupils. The maximum funding for a school age child is £4.8k over and above the notional £6k of funding.

## 7.8 Post-16 Funding

Savings were made in 2016/17 as a result of the reorganisation of support arrangements in Hartlepool College of FE. The college form classes can allocate support to the class, rather than on a 1:1 basis. This structure enables young people to share support where possible, which fosters independence. In addition, there were greater economies of scale as multiple students selected the same courses for the 2016/17 academic year. This is likely to continue for the 2017/18 academic year. However there is an increase in the number of young people with additional needs entering post-16 education within Hartlepool and neighbouring authorities which may develop into an increase in spend against the HNB.

## 7.9 High Needs Services

The block contributes to the running costs of services in relation to High Needs. These include support from the Commissioning team and the SEND team; support from the Virtual Headteacher and the Educational Psychology team; and administration costs in relation to the oversight of the HNB and the EHCP process. Despite the increase in demand for services over the past three years, the contribution from the HNB has remained static at £0.467m. The LA have absorbed the additional demands on resources and additional costs.

## 8. The Proposed Framework

8.1 LA staff, school-based staff and health colleagues have been involved in the development of the SEND Range Descriptors which are based on national best practice in determining the needs of pupils with SEND. They are based on the four areas of the SEND Code of Practice (0-25) January 2015: Cognition and Learning Needs; Communication and Interaction Needs; Social, Emotional and Mental Health Needs; and Sensory, Physical Needs. The graduated approach of “assess, plan, do

and review” that pervades best practice in the implementation of the SEND CoP is a key element to the process.

8.2 The current model in Hartlepool is based on the allocation of resource, such as 1:1 support. However the new approach will be needs-led placing a greater emphasis on accountability and targeting of spend to meet the pupil’s needs. There will be a requirement for schools to demonstrate how AWPU and notional SEN funding has been used to meet need as part of the graduated response in relation to individual pupils before any top-up funding is applied for.

### 8.3 SEND Policy

The LA is currently working on the revised SEND Policy and will consult with stakeholders before finalising the policy. It will detail the new arrangements such as

- revised funding panels
- the funding application process
- evidence based requirements when submitting an application for top-up funding
- reviewing processes.

8.4 The assessment framework is based upon a series of SEND Range Descriptors which provide a transparent framework to identify a pupil’s needs. The ranges are then used to assess the level of need and the appropriate support required. The funding is attached to the pupil in order to meet those needs. For details of the descriptors see Appendix 2.

8.5 In proposing the new top-up range values, regional rates have been considered with a view to having consistency across the NE region. Hartlepool has for a number of years paid higher levels of funding compared to other NE authorities. This is no longer sustainable.

8.6 The ranges are from Range 1 (lowest need) through to Range 6 (highest need). In exceptional circumstances some pupils may be assessed beyond this range. It is envisaged that pupils’ needs will be met through Ranges 1-3 via the notional budget or place funding which is in the school budget (£6k / £10k). For the higher ranges top-up will be funded from the HNB.

8.7 The review has considered a number of factors in formulating the new ranges. The first is to ensure pupils receive an appropriate level of support based on individual needs rather than an arbitrary hourly rate payment for the IPS. All children and young people receiving funding have now been assigned to a Range.



8.8 The new Ranges will take effect from the 1<sup>st</sup> of April 2018.

Range	Range funding in different types of provision (£)			
	Early Years	Mainstream	ARPs	Special
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4i	1,800	3,000	-	-
4ii	2,400	4,000	4,000	-
5i	3,600	6,000	6,000	5,000
5ii	n/a	n/a	10,000	10,000
6i	n/a	n/a	n/a	14,000
6ii	n/a	n/a	n/a	19,000

- **Ranges 1-3** represents learners supported within a mainstream setting. Schools have an element of **notional SEN funding** in their base budgets to meet the needs of these pupils. Mainstream schools are expected to spend up to £6k per pupil of this **notional SEN funding** in supporting the needs of these pupils.
- **Ranges 4i and 4ii** represent learners who are usually in mainstream settings and need a degree of additional support, formally known as IPS.
- **Ranges 4ii to 5i** describe learners with more complex needs by degree. These pupils are usually in ARPs.
- **Ranges 5i to 6ii** describe learners with more complex and profound needs. These pupils are usually in specialist schools.

8.9 A small number of exceptionally vulnerable learners may need bespoke funding beyond the proposed Ranges. This will be reviewed on an individual case basis.

8.10 The above Ranges are predicated on the assumption that £0.550m of funding is transferred back from the Schools Block to the HNB (see para 3.2). This requires Schools Forum approval and a commitment to do this for a period of three years. Should the Schools Forum not agree to this, alternative lower funded Ranges would need to be calculated.

8.11 In the implementation of the proposed framework no mainstream school would lose more than 2.8% in year one of their individual school budget (ISB) including place funding.

8.12 Schools are invited to attend published consultation meetings to see the individual impact on their budget.

### 8.13 IPS Funding

Schools will no longer be funded on an hourly basis; instead each pupil will be attached to an appropriate range. The maximum funding currently on IPS is £4.8k for pre-16 pupils and £2.9k for nursery pupils. The proposed ranges for mainstream and nursery providers would increase to a maximum of £6k (pro rata for nursery provision) for those pupils with the most complex needs. Following the moderation exercise, pupils have been matched to the appropriate descriptors and the outcome shows that overall funding under the new framework would reduce by an average of 18%.

### 8.14 Additionally Resource Provisions (ARPs)

Currently the ARPs are funded at historic rates which are inconsistent with each other. In the secondary sector there are 16 vacant places. Place funding cannot be withdrawn if there are vacant places as it provides a degree of financial stability for the provision. However, the ESFA expect LAs to adjust top-up payments to reflect the under or over capacity of place numbers.

8.15 The regulations do not require LAs to provide Minimum Funding Guarantee (MFG) to ARPs. However, for those ARPs which are full, the LA is proposing to taper the reductions in funding over a period of two years. This will be limited to the same level of reduction in IPS funding of 18%. In 2018/19 this will cost £63k.

### 8.16 Special Schools

The LA commission places from the ESFA at £10k per place. Top-up funding is then paid by the LA to the school based upon the needs of the individual pupils.

8.17 Of the LAs who have shared top-up rates for special schools the chart below shows the minimum and maximum top-up ranges. Hartlepool currently has the highest top-up rates of these LAs. In the proposed model Hartlepool would continue to pay one of the highest top-ups.

Regional Funding - Special Schools	Highest	Lowest
	£,000	£,000
HBC - Current	34	4
<b>HBC - Proposal</b>	<b>19</b>	<b>5</b>
Regional LA 1	17	4
Regional LA 2	16	4
Regional LA 3	16	1
Regional LA 4	12	6
Regional LA 5	12	2

- 8.18 Unlike ARPs, the regulations protect special schools by setting a MFG at 1.5% per year. This means any reduction in top-up funding cannot exceed 1.5% of the previous year's top-up funding. In year 1 of implementation (2018/19) Hartlepool special schools are forecast to receive MFG of approx £0.790m.
- 8.19 In the proposed funding model the period of MFG protection required by Hartlepool special schools is 7 years for one and 38 years for the other. This would commit funding that could otherwise be reinvested into the block. The LA is therefore proposing to limit the MFG to a period of three years, in line with the MFG proposed in the National Funding Formula, to 2020/21.
- 8.20 Where the MFG is breached the ESFA advise that the LA would apply to the Secretary of State to disapply the regulations for financial year 2021/22. The ESFA expect the LA to have agreement of the Schools Forum and the schools concerned.
- 8.21 Appendix 3 shows the impact of implementing the proposed funding model on individual schools (anonymised). Figures are based on current pupil numbers and the characteristics of the current funding formula and maybe subject to change.
- 8.22 The proposed funding model will provide a transparent and fairer funding regime, ensuring that each pupil is funded on their level of need within the funding envelope available. The LA appreciate that the proposed model is based on current projections and that the model and the block will need to be reviewed annually.

## **9. Funding Forecast 2018/19**

- 9.1 There is a finite amount of funding in the HNB. The final allocation for 2018/19 will not be known until December 2017. The ESFA have yet to publish the detailed HNB guidance on the new formula based funding. It is due out in the autumn term. Latest information confirms that LAs will receive at least a 0.5% increase. However this is subject to a number of deductions, the details of which are not yet available. Although the impact cannot currently be accurately assessed, it is estimated that Hartlepool will be allocated funding in the region of £10.750m.

- 9.2 The table below shows a summary of the indicative funding allocations and shows the proposed transfer of the £0.550m from the Schools Block back to the HNB.

<b>Forecast Funding 2018/19</b>	<b>£m</b>
2017/18 ESFA - Funding Allocation	10.661
Adjustments to the base	(0.423)
Baseline Funding (ESFA Aug 17)	<b>10.238</b>
Estimated Increase in Funding	0.300
Forecast ESFA Funding - HNB	<b>10.538</b>
Add transfer from schools block to High Needs Block	0.550
Less Recoupment amounts paid directly to academies/providers	(2.176)
<b>Forecast HNB Funding 2018/19</b>	<b>8.912</b>

- 9.3 The table below summarises the proposed 2018/19 HNB budget, subject to the funding being confirmed.

<b>Forecast Expenditure 2018/19</b>	<b>£m</b>
LA Place Funding	1.291
Independent Schools Fees	2.177
Out of Authority Top-ups	0.354
MFG Special Schools & ARPs	0.792
Top-up Funding & Support	3.038
Post 16 Top-up Funding	0.750
High Needs Services	0.467
Contingency	0.120
<b>Total</b>	<b>8.989</b>
<b>Overspend</b>	<b>0.077</b>
Use of DSG Reserve	(0.077)
<b>DSG Reserves Carried Forward to 2019/20</b>	<b>0.027</b>

## 10. Three Year Forecast

- 10.1 Indicative three year forecast outturns based on the proposed model and current pupil projections are as follows:

<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
<b>£m</b>	<b>£m</b>	<b>£m</b>
0.077	0.029	(0.028)
[overspend]	[overspend]	[underspend]

- 10.2 The table shows that in 2020/21 there is a small surplus. However, there are small deficits in 2018/19 and 2019/20 which can be funded from the DSG reserve.

## 11. Other Work Streams

- 11.1 In addition to this review there is to be a full review of commissioning arrangements for ARPs. This will be based on an assessment of current and future need to reflect the increase in SEMH and high functioning ASD (younger children) that Hartlepool is currently experiencing, and links to the ASD and SEMH reviews which are underway.
- 11.2 For each of the currently commissioned ARP providers within Hartlepool, a draft SLA has been issued for comment. The SLA clearly outlines the expectations the LA has on the ARPs. Monitoring of arrangements and young people within each provision will be carried out throughout the year by the SEND and Commissioning Teams.

## 12. Contingency

- 12.1 In order to meet the projected increases in the number of EHCPs (see para 5.1), increases in requests for top-up funding, and the potential increase in out of area placements, a small contingency of £0.120m has been built into the 3 year forecast budget as the HNB needs to have capacity to meet these growing demands.

## 13. Capital Investment

- 13.1 The ESFA has provided additional capital funding of £0.500m over a three year period, which is the minimum amount any LA will receive.
- 13.2 The grant is intended to make investments in provision for pupils with special educational needs and disabilities. There has been no additional revenue funding provided for the increase in top-up payments or running costs for such schemes. Therefore, the revenue costs will need to be constrained to fit within existing HNB funding allocations, or revenue sought from elsewhere.
- 13.3 The LA will be required to apply for the SEND capital funding. Schemes to reduce the demand for out of authority placements are being considered as part of the ongoing HNB review.

Capital Funding	Yr 1	Yr 2	Yr 3	Total
	2018/19	2019/20	2020/21	
	£m	£m	£m	£m
New Grant funding - capital investment	0.167	0.167	0.166	0.500
Funding set aside by Forum *	0.700	-	-	0.700
<b>Total Capital Resources</b>	<b>0.867</b>	<b>0.167</b>	<b>0.166</b>	<b>1.200</b>

\* Subject to final accounts being agreed

## **14. Next Steps**

- 14.1 Three consultation sessions have been scheduled for schools to discuss the individual impact of the proposed funding model. Governors, headteachers and SENCOs are invited to attend the sessions.
- 14.2 Generic questions surrounding this report can be raised at Schools Forum on 21 September 2017.
- 14.3 Schools Forum will be required to make decisions and recommendations at a single item meeting on 27 September 2017.
- 14.4 Schools Forum decisions and recommendations will be presented for approval at Children's Services Committee on the 17 October 2017.

## **15. Conclusions**

- 15.1 Since 2012, the number of pupils with ECHPs has increased from 326 to 549 in 2017. Demand for independent school placements has doubled compared to 2015/16. This is mainly owing to increasing demand for specialist provision for SEMH and ASD, for which the Hartlepool does not have significant appropriate provision to meet this increasing demand.
- 15.2 The HNB was established in 2013/14. Schools Forum has agreed annually to transfer £0.550m from the HNB into the Schools Block. The ESFA as part of the National Funding Formula have moved this permanently to Schools Block. This is against the trend in the North East region which has seen Schools Forums transfer a greater amount from the Schools Block to the HNB (£13m) compared to transfers from the HNB to the Schools Block (£2.2m).
- 15.3 The HNB has overspent for the last two years with a predicted overspend of between £0.526m and £0.875m in 2017/18. These overspends have been funded from LA and DSG reserves.
- 15.4 The review proposes new top-up Ranges which will take effect from 1<sup>st</sup> April 2018. The ranges are from Range 1 (lowest need) to Range 6 (highest need). These ranges ensure that pupils receive an appropriate level of support based on individual needs rather than an arbitrary hourly rate. In the proposed funding model no mainstream school loses more than 2.8% in year one of their individuals school budget (ISB) including place funding.
- 15.5 The proposed Ranges are predicated on the agreement of Schools Forum to transfer £0.550m from the Schools Block to the HNB in line with the NE trend, and also to the agreement of a three year MFG for Special Schools.
- 15.6 The review proposes that pupils in receipt of IPS funding will no longer be funded on an hourly basis. Instead each pupil will be assigned to an appropriate Range. This will reduce overall funding by an average of 18%.

- 15.7 There are five ARPs in Hartlepool; two of which are full. The proposed funding model has a bigger impact on these provisions than a mainstream school. Although the regulations do not require LAs to provide MFG to ARPs, the LA is proposing to taper the reductions in funding for the two ARPs that are full over a period of two years. This will be limited to the same level of reduction in IPS funding of 18%.
- 15.8 A review of the level of top-up ranges for a number of special schools showed that the current rate for Hartlepool is the highest. In the proposed funding model Hartlepool would continue to pay one of the highest top-ups.

Regional Funding - Special Schools	Highest	Lowest
	£,000	£,000
HBC - Current	34	4
<b>HBC - Proposal</b>	<b>19</b>	<b>5</b>
Regional LA 1	17	4
Regional LA 2	16	4
Regional LA 3	16	1
Regional LA 4	12	6
Regional LA 5	12	2

- 15.9 Unlike ARPs, regulations protect special schools by setting a MFG of 1.5% per year. In year 1 (2018/19) Hartlepool special schools are forecast to receive MFG of approximately £0.790m.
- 15.10 Should the proposed funding model be agreed, the three year financial forecasts show that by 2020/21 there is a small surplus within the HNB. However, for 2018/19 and 2019/20 there are small deficits which can be funded from DSG reserves.
- 15.11 Agreement of the proposed funding model will provide a transparent funding regime ensuring that each pupil is funded on level of need within the restricted resource allocation. The LA appreciate that the proposed funding model is based on current projections and that the model and the block will need to be reviewed annually.

## **16. Recommendations**

- 16.1 The Schools Forum is asked to:
- a. agree the proposed Range model (para 8.8)
  - b. agree the transfer of £0.550m from the Schools Block to the HNB and commit to this transfer for a period of at least three years (para 8.10)
  - c. agree that the local authority should refer a disapplication request to the Secretary of State to disapply the MFG regulations in respect of the Special Schools from 2021/22 (para 8.10).

## Appendix 1

Budget Description	2017/18 Forecast Outturn		
	Budget	Worst Case	Best Case
	£m	£m	£m
LA Place Funding	1.560	1.560	1.560
Independent Schools Fees	1.112	1.648	1.509
Out of Authority Top-up	0.266	0.330	0.301
Top-up Funding & Support	4.176	4.451	4.349
Post 16 Top-up Funding	0.750	0.750	0.707
Support Services	0.467	0.467	0.467
<b>Total</b>	<b>8.331</b>	<b>9.206</b>	<b>8.893</b>
<b>Overspend</b>		<b>0.875</b>	<b>0.526</b>
DSG Reserves brought forward	0.979	0.979	0.979
<b>Resources to Carry Forward to 2018/19</b>	<b>0.979</b>	<b>0.104</b>	<b>0.453</b>



## Individual Impact of the Review

School	Pupil No's	Top up Reduction	£0.550m impact	ARP Reduction	MFG	Net Reduction in Funding Year 1	ISB + PF	% OF ISB Year 1	% OF ISB After Expiry of MFG *
School 1	17	(6,244)	(15,919)	(89,701)	59,935	(51,929)	1,862,532	(2.8%)	(6.0%)
School 2	13	(22,797)	(15,693)	0	0	(38,491)	1,504,365	(2.6%)	(2.6%)
School 3	31	(27,683)	(52,397)	(68,626)	0	(148,705)	6,197,939	(2.4%)	(2.4%)
School 4	14	(15,285)	(12,983)	(12,972)	3,437	(37,803)	1,675,152	(2.3%)	(2.5%)
School 5	11	(11,259)	(7,941)	0	0	(19,200)	893,041	(2.1%)	(2.1%)
School 6	6	(9,793)	(6,097)	0	0	(15,890)	755,029	(2.1%)	(2.1%)
School 7	17	(19,937)	(12,871)	0	0	(32,808)	1,589,388	(2.1%)	(2.1%)
School 8	12	(16,055)	(16,483)	0	0	(32,539)	1,689,039	(1.9%)	(1.9%)
School 9	15	(12,690)	(13,924)	0	0	(26,614)	1,405,290	(1.9%)	(1.9%)
School 10	15	(14,057)	(12,344)	0	0	(26,401)	1,413,848	(1.9%)	(1.9%)
School 11	13	(11,838)	(10,688)	0	0	(22,526)	1,277,196	(1.8%)	(1.8%)
School 12	5	(4,579)	(3,538)	0	0	(8,117)	467,666	(1.7%)	(1.7%)
School 13	17	(13,059)	(11,704)	0	0	(24,763)	1,432,356	(1.7%)	(1.7%)
School 14	11	(8,504)	(15,618)	0	0	(24,122)	1,555,446	(1.6%)	(1.6%)
School 15	5	(3,843)	(3,349)	0	0	(7,193)	463,898	(1.6%)	(1.6%)
School 16	7	(8,397)	(11,817)	0	0	(20,214)	1,312,148	(1.5%)	(1.5%)
School 17	7	(5,457)	(15,204)	0	0	(20,661)	1,516,361	(1.4%)	(1.4%)
School 18	6	(4,733)	(6,699)	0	0	(11,432)	841,187	(1.4%)	(1.4%)
School 19	5	(5,834)	(11,139)	0	0	(16,973)	1,255,691	(1.4%)	(1.4%)
School 20	3	(3,185)	(8,881)	0	0	(12,066)	998,094	(1.2%)	(1.2%)
School 21	6	(4,272)	(10,725)	0	0	(14,997)	1,249,012	(1.2%)	(1.2%)
School 22	8	(2,979)	(12,193)	0	0	(15,172)	1,451,799	(1.0%)	(1.0%)
School 23	7	112	(11,553)	0	0	(11,441)	1,116,118	(1.0%)	(1.0%)
School 24	21	(3,000)	(13,736)	0	0	(16,736)	1,638,852	(1.0%)	(1.0%)
School 25	2	(424)	(11,854)	0	0	(12,279)	1,241,138	(1.0%)	(1.0%)
School 26	18	(2,438)	(57,518)	0	0	(59,956)	6,192,194	(1.0%)	(1.0%)
School 27	2	(1,730)	(5,419)	0	0	(7,149)	750,117	(1.0%)	(1.0%)
School 28	2	(1,205)	(3,538)	0	0	(4,742)	505,878	(0.9%)	(0.9%)
School 29	13	9,631	(46,043)	(11,092)	0	(47,504)	5,121,036	(0.9%)	(0.9%)
School 30	3	440	(7,865)	0	0	(7,425)	842,990	(0.9%)	(0.9%)
School 31	1	(900)	(4,817)	0	0	(5,717)	650,782	(0.9%)	(0.9%)
School 32	14	(528)	(55,242)	0	0	(55,770)	6,444,375	(0.9%)	(0.9%)
School 33	9	61	(7,715)	0	0	(7,653)	890,792	(0.9%)	(0.9%)
School 34	6	2,002	(31,675)	0	0	(29,673)	3,772,411	(0.8%)	(0.8%)
School 35	9	5,976	(4,817)	0	0	1,159	690,479	0.2%	0.2%
<b>Sub-total</b>	<b>351</b>	<b>(224,484)</b>	<b>(550,000)</b>	<b>(182,391)</b>	<b>63,372</b>	<b>(893,503)</b>	<b>62,663,639</b>	<b>(1.4%)</b>	<b>(1.5%)</b>
Special School 1	106	(494,823)	0	0	478,030	(16,793)	2,179,573	(0.8%)	(22.7%)
Special School 2	71	(262,188)	0	0	250,398	(11,790)	1,495,994	(0.8%)	(17.5%)
<b>Sub-total **</b>	<b>177</b>	<b>(757,011)</b>	<b>0</b>	<b>0</b>	<b>728,428</b>	<b>(28,583)</b>	<b>3,675,567</b>	<b>(0.8%)</b>	<b>(20.6%)</b>
<b>Grand Total</b>	<b>528</b>	<b>(981,495)</b>	<b>(550,000)</b>	<b>(182,391)</b>	<b>791,800</b>	<b>(922,086)</b>	<b>66,339,206</b>	<b>(1.4%)</b>	<b>(2.6%)</b>

\*overall impact on funding at year 3 for the ARPs and year 4 for the special schools

\*\*special school funding includes place funding and current 2017/18 top-ups from the LA