

Item 5: High Needs Funding Forecast 2019/20

1. Introduction

- 1.1 The purpose of the report is to provide an indicative budget for the High Needs Block (HNB) for 2019/20.

2. Background

- 2.1 Schools' Forum members are aware of the continuing pressures on the HNB. The HNB report in September 2018 highlighted a projected adverse outturn of £0.272m. Since that report the adverse outturn has increased by £0.050m, owing to a further two children placed out of authority.
- 2.2 In 2018/19, Schools' Forum agreed to transfer £0.550m (0.8%) from the Schools Block to the HNB.
- 2.3 The Schools Revenue Funding 2019/20 operating guide states that:
- 'LAs may transfer up to 0.5% of their schools block funding into another block, with the approval of Schools' Forum. In the cases where ESFA notified the LA that they could transfer an amount more than 0.5% for 2018/19, the LA will be able to replicate this with the Schools' Forum approval for 2019/20, and does not need to submit another request to transfer the same percentage amount or less.'
- 2.4 Therefore, should Schools' Forum agree to the same rate transfer, i.e. 0.8%, then a disapplication request would not be required.

3. Local Authority Financial Position

- 3.1 A report to the Council's Finance and Policy Committee on 3 September 2018 advised Members that 2019/20 will be the most challenging financial year the Council has ever faced, as cuts have now been made for the last eight years and the Council faces a 2019/20 budget deficit of nearly **£6 million**. This deficit equates to a reduction in the overall budget of 7%. However, as many areas of expenditure cannot be reduced as they are demand lead and relate to costs of caring for people, higher cuts in other areas will be required. In summary, the deficit reflects three key factors:
- **2019/20 will be the ninth year of Government funding reductions**
For Hartlepool this means that Government Funding (Revenue Support Grant and Top up grant) in 2019/20 will be approximately **£25.5m**, compared to **£46.4m** in 2013/14, which is a reduction of **£20.9m** i.e. a reduction of 45%.

- **2019/20 Unfunded budget pressures**

The main budget pressures impacting on the 2019/20 budget relate to Looked After Children (£3.5m) and the national pay awards (£2.150m). Looked After Children pressures are national issues and by 2020 the Local Government Association are forecasting a funding shortfall of £2 billion.

- **Funding switch from Government funding on to Council Tax**

The reductions in Government funding and other changes introduced by the Government, including the introduction of the Adult Social Care precept, have shifted the burden of funding local authority services from national tax payers on to Council Tax.

4. **HNB Funding Forecast**

4.1 The table below shows a summary of the 2019/20 funding allocations.

Forecast Funding 2019/20	£m
2019/20 ESFA - Funding Allocation	10.931
Less Recoupment amounts paid directly to academies/providers	(2.216)
Forecast HNB Funding 2019/20	8.715

4.2 The table below summarises the 2019/20 HNB forecast based on current projections.

Forecast Expenditure 2019/20	£m
LA Place Funding	1.426
Independent Schools Fees	2.460
Out of Authority Top-ups	0.405
Top-up Funding & Support	4.267
Post 16 Top-up Funding	0.720
High Needs Services	0.467
Total	9.745
Projected Overspend	1.030

4.3 **LA Place Funding – (Budget Increase £0.094m)**

In order to manage the growing costs of the HNB, the local authority has undertaken a place review. Details of the review are covered in this report. No additional funding has been received from the ESFA. Five extra places have been commissioned, funded from the Top-up funding and support available.

4.4 **Independent School Fees – (Budget Increase £0.283m)**

The demand for independent school placements continues to rise. 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 local authority does not have sufficient appropriate provision to meet the increasing demand.

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

Independent School Fees	2015/16		2016/17		2017/18		2018/19 as at 18/9/18		Projections 2019/20	
	No. Pup	£m	No. Pup	£m	No. Pup	£m	No. Pup	£m	No. Pup	£m
Day	14	0.625	11	0.581	23	0.843	32	1.296	35	1.371
Residential	<5	0.12	<5	0.278	>5<10	0.671	>5<10	0.641	>5<10	0.689
Awaiting placement					<5	0.134	<5	0.065	>5<10	0.38
		0.745		0.859		1.648		2.002		2.44

4.6 The number of potential placements has increased since the report to Schools' Forum in September. The measures taken to try and address the increase in demand for independent provision, in reviewing ARP placements, should mean that fewer children are sent to independent provision. The 2019/20 budget is based upon the current provision at independent schools and assumes no increase in the number of children in this type of provision.

4.7 **Out of Authority Top-Ups Maintained Schools or Academy – (Budget Increase £0.038m)**

In 2018/19 there are 20 young people placed in provision outside of Hartlepool with potentially a further three pupils waiting to be placed. The 2019/20 budget is based upon this current provision at Out of Area schools, and has assumed no extra children will be placed in this provision. As previously reported, this is partially 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 (Education Health and Care Plan) or receive IPS (Individual Pupil Support) funding and reside out of area as the children are legally Hartlepool's responsibility.

4.8 To try to address the increase in demand for independent provision the authority has undertaken a review of existing ARP provision and is establishing primary-based Additionally Resourced Provision for the primary need of SEMH. Two units are to be commissioned providing a six place unit in the autumn term 2018 and a further eight place unit in the spring 2019 term. No additional place funding has been received from the ESFA. Instead, this has been achieved through the reconfiguration of existing place funding.

4.9 Work is ongoing in relation to the commissioning of secondary ARP provision for SEMH following the initial expression of interest. It is envisaged that provision will

be available from autumn 2019. Again no additional funding has been made available through the ESFA.

- 4.10 In establishing ARP provision that can provide outreach, it is envisaged along with the wider work being undertaken by the SEMH working group, that early identification of need and intervention will have a positive impact on the escalation of need, resulting in the number of children and young people requiring specialist provision out of area decreasing over time.
- 4.11 Hartlepool was involved in preparing a joint bid for a Tees Valley SEMH free school through the DfE funding that was available in 2016. Unfortunately, the joint bid was unsuccessful. However a further round of funding is available to bid for, and again, Hartlepool are currently working collaboratively with Tees Valley authorities to submit a further bid for SEMH provision which will be for key stage 2 to 4, with the possibility of post 16 support.
- 4.12 Should the free school bid be successful, we would continue to have students accessing provision out of Hartlepool but the funding to support such provision would be at a much reduced cost to the HNB.
- 4.13 **Top up Funding & Support – (Budget Increase £0.247m)**
- 4.14 Individual Pupil Support (IPS) Funding
Year on year there has been an increase in the number of children and young people receiving IPS funding. As at July 2018 there were 386 individuals funded through IPS. This number is likely to increase when panel meets during the remainder of the financial year. The 2019/20 budget forecast is based upon the current IPS provision and has not estimated additional costs of extra panels in 2018/19 and 2019/20.
- 4.15 Following the SEND reforms in 2013/14, pupils with Education, Health and Care Plans have increased from 326 to 549. Currently the local authority manages 610 EHCPs based on requests received in the 2017/18 school year. There are 710 EHCPs predicted by the end of 2018/19 and 809 by the end of 2019/20.
- 4.16 Special Schools Top-Up Funding
Although the banding review was implemented in April 2018, both special schools have MFG protection at 98.5% of the 2017/18 total funding. The guidance for this process is particularly complex and discussions are ongoing to ensure that new pupils are funded correctly.
- 4.17 In addition, the local authority has been successful in gaining approval and securing the first-year funding of the three years' Special Provision Capital. In total, the local authority will receive £500k. Basic Need funding has been added to allow the increase of nine school places at Springwell School which should be available in spring 2019. This will cater initially for children with more complex ASD needs.
- 4.18 This additional capacity will increase special school place funding. This has been managed through the review of places outlined in para 4.3 above. However, the

additional cost of place funding is significantly lower than pupils attending independent provision out of area.

4.19 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 or 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.

4.20 Pupil Referral Unit (PRU)

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. The PRU now has 12 commissioned places for Permanently Excluded (PEX) children, reduced from 24 in 2017/18 with Forum approval. However, as the number of PEX has rapidly increased recently, the local authority is currently reviewing the basis on how it funds these additional pupils. As of October 2018, there are 22 FTE (full time equivalent) pupils in the PRU, of which six are accessing alternative provision. Further increases in the PEX rate will increase funding pressure on the HNB even further.

4.21 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 equates to £0.192m. This represents good value for money when reviewing the caseload of young people that HI/VI services work with.

4.22 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.

4.23 Direct Payments (personal budgets)

One young person with SEN is educated at home with a personal package of education and support. This is paid for by a direct payment of personal budget, to a third party managing agent. The package is monitored by the Virtual Headteacher, the SEND Team and Educational Psychologists to ensure that it meets the need of the pupil.

4.24 **Post 16 Funding – (Budget Reduction £0.030m)**

The Authority anticipates a small saving for the 2019/20 academic year for post-16 education. Fewer children access post-16 provisions outside of the town. There is an increase in numbers of young people at HCFE (Hartlepool College of Further Education) but the authority works closely with the college to match young people into classes and share support. This allows the authority to keep costs down by supporting needs of a group rather than individuals.

4.25 For 2018/19, a contract has been developed with Public Health England to run supported internships across the town. The 2018/19 cohort is full and there are currently 12 young people on internships. This is proving to be a huge success and complements the successful internships run by Catcote Academy and HCFE. The contract with Public Health England allows the authority to draw down their element 1 and 2 funding from the ESFA allocation, meaning the authority will only need to fund element 3 top-up costs for 2018/19. This is estimated to be in the region of £30-50k. Public Health England has a 75% success rate for young people to enter paid employment following completion of their internship

4.26 **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 EHCP process. Despite the increase in demand for services over the past four years, the contribution from the HNB has remained static at £0.467m. The local authority has absorbed the additional demands on resources and additional costs.

5. **Recommendations**

- 5.1 Schools' Forum members are recommended to note the contents of the report, and
- a) discuss methods of addressing the projected overspend of the HNB as highlighted at para 4.2
 - b) agree how to meet the funding gap of **£1.030m** identified at para 4.2.