**Report to Hartlepool Schools’ Forum 25 October 2019**

**From Danielle Swainston – Assistant Director, Joint Commissioning**

**Item 6: High Needs Block Budget Requirement 2020/21**

1. **Introduction**
   1. This report provides an estimated budget requirement for the High Needs Block for 2020/21.
   2. The report sets the historic context, including support from the Schools Block to the High Needs Block. It provides a reminder of the improvements and efficiencies implemented as part of the overall financial strategy and outlines those actions still to be implemented.
   3. The report considers the outlook for high needs spending in 2020/21 and beyond, including the increased funding from government and the likely demand and growth in provision.
2. **Background**
   1. Hartlepool has faced financial pressure on High Needs expenditure since 2015/16. This pressure has been funded from either DSG Reserves or in later years from the schools block via a block transfer.

* 1. The Government has announced additional high needs funding of £1.748m for 2020/21. Although a number of cost reduction initiatives have been implemented, early indication of the 2020/21 estimated budget requirement confirms that additional funding is required as outlined in the following paragraphs.

1. **Historic Context**

3.1 In recent years, the majority of the funding pressure against the high needs block has been met via a transfer of funding from the schools block or via the use of Dedicated School Grant (DSG) reserves.

3.2 The chart below provides high needs spending against budget for the last three financial years. 2019/20 spending is based on the latest mid-case forecast reported to Schools’ Forum on 13 September 2019.

3.3 The table below illustrates the level of support from the schools block and from DSG reserves over the last three financial years. From 2018/19 onwards, setting a realistic budget for high needs spending has depended on a transfer of funding from the schools block.

|  |  |  |
| --- | --- | --- |
| **Financial Year** | **Transfer from Schools Block**  **£m** | **Use of Reserves**  **£m** |
| 2017/18 | 0.000 | 0.655 |
| 2018/19 | 0.550 | +0.125 |
| 2019/20 (forecast) | 0.621 | 0.318 |

3.4 During the same time period, the authority, with support from Schools’ Forum, has implemented a strategic financial plan to try and bring high needs spending in line with the funding available. Unfortunately, despite the success of the improvements and efficiencies implemented, the underlying demand and complexity of need has continued to increase.

3.5 In addition, funding from government has been unable to keep pace with the necessary growth in spending. Data at a national level is documented within the National Audit Office (NAO) report “Support for pupils with special educational needs and disabilities in England” published in September 2019.

3.6 The NAO report confirms a 2.6% real-terms reduction in funding per pupil with high needs between 2013-14 and 2017-18. This compares to a 32.4% real-terms increase in local authority spending on independent special schools over the same period.

**4. Strategic Financial Plan**

4.1 The authority, with support from Schools’ Forum, established and implemented a number of changes as part of an overall strategic plan to bring spending on SEND provision into line with available funding.

4.2 Changes already implemented include:

* Restructured ranges for funding of high needs places, facilitated by an external consultant
* Implementation of two primary social, emotional and mental health (SEMH) Additional Resource Provisions during 2018-19 academic year at Rossmere and Springwell
* Successful submission of a free school bid to DfE around SEMH to reduce the need for costly out of authority provision
* Provision of increased places at our maintained primary special school.
* Establishment of a working group of head teachers, local authority officers and representatives from CAMHS to examine further ways to reduce the funding pressure on the HNB for children and young people with (SEMH) issues
* A commitment to retaining Hartlepool children within the town through reasonable avoidance of out of authority arrangements.

4.3 The most significant change relates to the restructured ranges for high needs funding, implemented during 2018/19. To illustrate the level of savings achieved from the restructured ranges, analysis has been undertaken to restate the 2019/20 Individual Pupil Support (IPS) funding forecast as if the original £9 per hour banding were still in place. The analysis showed that the implementation of restructured ranges has saved £0.385m at 2019/20 prices and demand. This saving relates to IPS only.

4.4 Despite this successful cost reduction, the underlying volume of IPS provision has increased. The graphs below show a snapshot comparison of request volumes for Education Health Care (EHC) assessments to the monthly Individual Pupil Support (IPS) panel over the months of September and October for the last 4 years. This demonstrates the growth in demand faced within Hartlepool schools.

4.5 The continuing growth in demand for SEND provision has prompted the need for further innovation and for the development of ongoing service and financial strategies to drive efficiencies in cost.

4.6 The key components of the ongoing financial strategy to reduce high needs spending include:

1. A draft JSNA (Joint Assessment Needs Assessment) has been written. The intention is to understand current needs, projected needs and whether services/ provision are meeting needs and the gaps are. A joint commissioning strategy has been drafted and will be presented to the Health and Wellbeing at the beginning at December.
2. The new SEMH Free School is currently being commissioned with two bidders. The evaluation process will take place over the autumn term with decisions being made on successful provider by spring 2020. Expected opening 2021.
3. The Secondary SEMH ARP will open in January 2020
4. The instigation of a feasibility study at Catcote to understand needs and whether the current provision can meet these needs.
5. The implementation of actions from the recent Task and Finish Group commissioned by Schools’ Forum as presented to and agreed by Forum on 21 June 2019
6. Colleagues are working with health to highlight children with additional needs from birth – this will allow for planning for provision particularly in relation to profound and multiple learning difficulty
7. The trailblazer bid with Mental Health Support Teams supporting two clusters within Hartlepool was successful. This will support early intervention for children’s emotional wellbeing.
8. The SEMH group requested the Education Psychologist Team to consult with schools around graduated response and best practice. This information is currently being collated

4.7 Opportunities for financial benefits are feasible from implementation of each of the strategies listed above. However, it is likely that the greatest opportunity for cost savings can be realised from the new SEMH Free School provision.

4.8 The SEMH Free School will enable the placement of children with complex SEMH need at a more competitive cost in comparison with more costly independent school provision outside Hartlepool. There are currently 45 children placed in independent school provision at an average cost of £57k per placement.

4.9 A number of the financial strategies in progress aim to build on our strength in collaborative and partnership working, either across disciplines or working at a regional level.

**5. Financial Outlook for 2020/21**

5.1 The funding announcement from Government on 11 October confirming a 15.89% increase in high needs block funding for Hartlepool is a positive step forward. The increase equates to an additional £1.748m from our 2019/20 allocation (before recoupment) of £11.003m.

5.2 Schools’ Forum received a report on 13 September 2019 outlining the projected spend against the high needs block in 2019/20. In recognition of the volatility of high needs expenditure, 3 scenarios were presented. A projected best-case scenario of £0.103m overspend, a projected mid-case scenario of a £0.318m overspend and a projected worse-case of £0.845m overspend.

5.3 These scenarios equate to a funding pressure of £0.724m (best-case), £0.939m (mid-case) and £1.466m (worse-case) without the £0.621m transfer from the schools block in 2019/20.

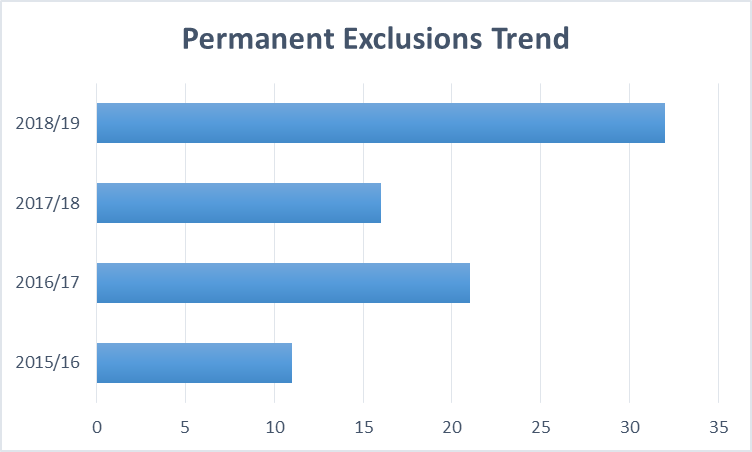
5.4 Therefore, prior to the consideration of any further growth or spending challenges in 2020/21, the baseline additional budget requirement is in the range of £0.724m to £1.466m.

5.5 Further review and analysis of the scenarios presented have determined that for planning purposes, the authority will use the worse-case scenario as some of the trends identified in this scenario have already materialised.

5.6 It is prudent to assume further growth in the underlying demand and complexity of SEND provision during 2020/21 (i.e. increased IPS funding and independent school fees). In addition, although the new SEMH Free School will enable cost efficiencies in future years, it is reasonable to assume a transition period until the school operates at full capacity. The cost of funding vacant places during transition will fall upon the high needs block.

5.7 Analysis estimates a cost of growth of circa £0.428m for 2020/21. This excludes cost growth relating to permanent exclusions and any financial remodelling for the Pupil Referral Unit.

5.8 A significant area of cost growth expected for 2020/21 relates to permanent exclusions and the associated cost to manage excluded pupils. The year on year growth is illustrated in the graph below.



5.9 Schools’ Forum have been briefed on the financial review currently underway for the Pupil Referral Unit. The initial findings from the PRU Finance Committee suggest the need for an immediate review of the current funding model to ensure ongoing sustainability. In addition, a potential outreach strategy working with children at risk of permanent exclusions has been discussed. At this point a financial assessment of cost has not been possible.

5.10 Were the worse-case projection of a £0.845m (net of £0.621m block transfer) overspend for 2019/20 to materialise, there are insufficient earmarked reserves to cover the year-end deficit. The current reserve balance is £0.314m so there would be a £0.531m deficit to carry forward into 2020/21. This would need repaying and would form part of the recovery plan presented to Schools Forum.

5.11 A summary of these estimated demands on the high needs block in 2020/21 is provided in the following table.

|  |  |
| --- | --- |
| **Area of Growth / Demand** | **2020/21 Estimated Requirement**  **£m** |
| 2019/20 spending pressure (worse-case forecast) | 1.466 |
| Growth in SEND demand, complexity and cost (including vacant place funding for new SEMH Free School Jan 2021 to March 2021) | 0.428 |
| Repay 2019/20 projected Deficit | 0.531 |
| **TOTAL ESTIMATED BUDGET REQUIREMENT 2020/21** | **2.425** |

**6.** **Beyond 2020/21**

6.1 The new SEMH Free School is a critical factor within the ongoing financial strategy to reduce spending on SEND provision. Following a period of transition, after which the school will reach operating capacity, there is an opportunity to significantly reduce the cost of independent provision by retaining children with complex SEMH need within Hartlepool.

6.2 The cost of independent provision in 2019/20 is an estimated 25% of our high needs spend at circa £2.582m. The average cost of independent school provision relating to a placement for SEMH need is £53k per pupil. A comparative cost of placing a child at the new SEMH Free School could range from £24k to £34k per annum.

6.3 Although difficult to quantify with certainty, the projects in progress shared at paragraph 4.6 of this report are likely to contribute to reductions in spend during future years.

6.4 Unfortunately, increases in both demand and complexity for SEND provision may continue in future years. Continuation of planning for yet further change and innovation beyond these existing projects is likely to be required to meet future challenges on the high needs block.

**7.** **Block Transfer Proposal 2020/21**

7.1 The increased funding announcement for 2020/21 of £1.748m helps to bridge the historic funding gap on high needs spending. Careful consideration of the likely demand and challenges facing SEND provision in 2020/21 has been undertaken and documented at section 5 of this report.

7.2 Forum Members will recall the historic £0.550m transfer from the high needs block to the schools block to help fund the notional £6k SEN funding. This transfer occurred up until 2017/18. At this point pressures were materialising on the high needs block.

7.3 In 2015/16 the ESFA baselined the DSG Blocks. This meant that the £0.550m transfer from high needs block to the schools block was ‘locked’ into the schools block. Schools Forum agreed to transfer this money back to the high needs block to correct the baselining error in 2018/19.

7.4 The proposal is that the historic transfer of £0.550m is agreed to be transferred from the schools block to the high needs block in 2020/21. This would provide total funding of £2.298m (government funding of £1.748m plus block transfer of £0.550m) to meet estimated demand and to address the challenges likely to be faced in 2020/21.

7.5 If the block transfer of £0.550m were agreed, the level of funding will be insufficient to meet the estimated budget requirement in 2020/21. The authority, with strong support from Schools’ Forum, would need to explore all possible actions to control spending in line with the funds available.

7.6 Owing to the historic context for the transfer of £0.550m, the impact on school budget shares is limited. The planned transfer of £0.267m from the Central School Services Block (CSSB) to the schools block in 2020/21 means that a net transfer of £0.283m is requested across the school estate.

**8.** **Recommendations**

8.1 Forum is recommended to note the contents of the report.

8.2 Forum is asked to present feedback from their consultation with head teachers, at the head teachers meeting held on the 23 October 2019, on a proposed schools block transfer of £0.550m to the high needs block for 2020/21 as outlined in the email and supporting documents issued on 17 October 2019.

8.3 At their next meeting, following a further window for consultation, Forum will be asked to vote on whether to support a block transfer request of £0.550m from the schools block to the high needs block in 2020/21 under the disapplication process. This process will need to be followed as the transfer is in excess of the 0.5% tolerance within the regulations.