

DECISION PAPER

SUBJECT: 2017/18 High Needs Block
DATE: 11th January 2017
RECIPIENT: Schools Forum

SUMMARY:

This paper provides a summary of 2016/17 financial pressure against High Needs Block and details the 2017/18 High Needs Block, following the announcement by the Department for Education (DfE) of the Dedicated Schools Grant (DSG) figures.

There is a **forecast pressure of £2.59M** above 2017/18 allocation however the Council needs to **set a balanced budget by April 2017**. Options to achieve a balanced budget will be tabled at the meeting for School Forum consideration and agreement.

BACKGROUND:

Following the 2015 Spending Review, it was announced that the DfE would introduce a National Funding Formula for Schools, Early Years and High Needs to match funding directly and transparent to need. This involved creating a new central Schools Block, allowing local flexibility on the minimum funding guarantee and to ring-fence the Schools Block within the Dedicated Schools Grant. This also involved DfE making £600M savings from the Education Services Grant (ESG).

The Stage 1 consultation on the DfE proposals on Schools and High Needs blocks in March 2016 indicated an intention to implement this from 2017/18, however this has now been delayed until 2018/19.

The DfE have released Stage 2 of the [Schools National Funding Formula](#) consultation which closes on 22 March 2017. This is in addition to publishing its response to Stage 1 of the consultations. The DfE expect to publish the response to the Stage 2 Consultation and final arrangements in July. Southampton City Council (SCC) will be sending a response to the Stage 2 before the deadline.

Meanwhile consultation also took place on Early Years (EY) funding, with proposals for a new formula and a reduction of the top-slicing option available to LAs. Following this consultation, the new EY formula is being implemented from 1st April 2017 (details are included in a separate paper on EY block on this agenda). The top-slice for EY central services cost is limited to 7% for 2017-18 and 5% thereafter.

The funding of £2,913,900 transferred from Schools Block to High Needs Block since 2015/16, has been adjusted in two blocks through a DSG baseline exercise that DfE completed earlier in 2016/17 financial year.

RECOMMENDATION:

It is recommended that Schools Forum:

- (i) Note the 2016/17 financial pressure of £0.5M.
- (ii) Note the re-based DSG 2017/18 High Needs block allocation of £21.41M and forecast pressure above allocation of £2.59M.

Given the significance of the challenges against High Needs Budgets and the ongoing need to meet increasing demand, it is also recommended that the Schools Forum:

- (iii) Agrees that the High Needs block budget for 2017/18 is set at the re-based DSG allocation in recommendation (ii) above, as there is **no headroom available** in the Schools Block to meet the forecast pressure.
- (iv) Agrees an option for reducing the forecast pressure above the allocation from those tabled at the meeting.
- (v) Agrees that a working group consisting of a cross-section of Headteachers from all phases and the Special Educational Needs and Disability (SEND) Service is established to consider options / make recommendations to address the ongoing financial pressures and report back to the Schools Forum to ensure the service is not overspent by end of 2017/18 Financial Year.

REASONS FOR REPORT RECOMMENDATIONS

1. Local Authorities are required to allocate the Dedicated Schools Grant and prepare budgets for the three blocks of funding given by the DfE.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The provision of special school education places is a **statutory responsibility**.

BACKGROUND and BRIEFING DETAILS:

High Needs (HN) Block 2016/17 Forecast Position

3. There is currently a forecast pressure within the range of £0.7M and £1.0M for HN Block against DSG funded areas. This pressure is expected to be partially offset by some savings against other DSG funded areas, leaving a net £0.5M forecast overspend.
4. It is important to note that in 2015/16 the HN pressure was offset by one off carry forward funding and underspend against the Early Years (EY) Block. However, there is no one off funding available in 2016/17 and the flexibility of EY Block will be limited due to less than estimated take-up for 3 & 4 years old.
5. The DSG pressure needs to be managed within the overall DSG allocation and cannot be funded from the General Fund. If the pressure cannot be contained within DSG 2016/17 funding, it will be first call on 2017/18 DSG Allocation. High Needs spending pressures are not unique to this Council, in fact many regional local authority groups are reporting spending pressures and budget overspends in their High Needs Block. A number of local authorities have been reporting this situation to the DfE.

High Needs (HN) Block 2017/18 Estimated Budget Position

6. The High Needs funding system for 2017/18 remains largely unchanged from 2016/17. This means any pressures over and above the unchanged baseline budget position will add pressure to High Needs Block.

Following the DFE funding announcement there is an anticipated additional pressure on High Needs of £2,587,700. Due to other pressures on School Block (as outlined in School Block Paper), there is **no headroom available** to meet these pressures.

The forecast pressure above allocation is summarised in Table 1 below:

Table 1	2017/18
High Needs DSG Allocation	21,408,300
High Needs Forecast Expenditure	23,996,000
Forecast Pressure Above Allocation	2,587,700

7. The forecast pressure above allocation is further analysed in different categories in Table 2 below:

Table 2	Rebased 2017/18 Allocation	Forecast Exp 2017/18	Variance
Top Up Funding for Main Stream schools (Maintained and Academy)	£1,472,800	£2,240,500	£767,700
Place Funding for Special Schools/Units/PRU	£5,867,400	£6,295,800	£428,400
Top Up Funding for Special Schools/Units/PRU	£5,357,600	£5,524,300	£166,700
Funding for Independent Providers	£4,542,200	£5,770,900	£1,228,700
Funding for Free Schools and FE Colleges	£1,557,100	£1,461,900	(£95,200)
Top Up Funding for OLA schools	£304,700	£357,200	£52,500
Support for SEN Services	£1,121,600	£1,199,800	£78,200
Support for Inclusion Services	£417,500	£428,600	£11,100
Funding for Early Years SEN	£473,400	£473,400	£0
Other Alternative Provision	£294,000	£243,600	(£50,400)
Total	£21,408,300	£23,996,000	£2,587,700

8. The **main reasons** for increasing costs are:

Increase in Population - 9.9% increase in child population in 11 years

Our Joint Strategic Needs Assessment (March 2016) estimated that in 2014 there were 57,600 children and young people (0-19) in the City which is likely to rise to 63,300 by 2025, due to an increase in the child birth rate. This is the equivalent of 9.9% increase which has a subsequent knock on effect in terms of levels of Education, Health & Care Plans (EHCP).

9. **Increase in number of EHCPs**
We have seen a significant increase in the level of statements and EHCPs both in numbers and as a percentage in the last two years, with the percentage of the school population with EHCPs rising from 2.3% in 2014 to 2.7% in 2016. This has continued in this Financial Year with a 10% increase leading to in excess of a hundred more EHCPs or statements. This is slightly below the regional and national average of 2.9% and 2.8% respectively.
10. **Age Extension to 25**
The Age extension of EHCPs to 25 years old has increased the numbers with EHCPs and costs by around hundred in the last Financial Year.
11. **Increase in Special School Places**
Increasingly parents are seeking a special school place which has resulted in increased costs being incurred due to additional place and top-up funding.
At present there are no places available within the city's special schools, plans are in place with Springwell increasing numbers, but there is a need for secondary places at Great Oaks and Polygon. Increasing these numbers will put further pressure on budgets, however this is a more cost effective approach than out of area independent schools.
12. **Increase in Out of Area Placements**
The lack of supply in special places within the city has enabled independent schools to raise prices reinforcing the need for additional places to meet need within Southampton to avoid incurring additional costs.
13. **Steps Being Taken to Address High Needs pressures**
A strategy is in place by the Local Authority (LA) to address the known/forecast pressures; this includes but is not limited to a review of Home to School Transport provision; a review of top-up funding and special school banding; reviewing the place planning strategy for SEND. However, we need to go further in order to establish a balanced budget; schools and the Local Authority need to work together to develop an effective inclusive strategy to meet children with special educational needs locally. Without this further reductions in High Needs Funding will be required.
14. **High Needs Strategic Planning Fund**
High Needs growth is a national issue which is being fed back to the DfE by many authorities. In response to LAs concerns around High Needs Pressures, the Government has announced funding of £23M for councils to carry out a strategic review of their high needs provision. The allocation for Southampton City Council is £103,882.
15. **With the anticipated overspend in the region of £2.59M and with no headroom available within schools block**, significant savings will need to be made against High Needs budgets. Whilst potential savings from actions by the Local Authority may secure some savings in the long run, reductions in funding will be needed now from existing High Needs budgets to enable a balanced budget is set by April 2017.

16. However, in recognising the significant implications of this, alternative options are being developed for reducing budgets to offset the forecast pressures and these will be tabled at the School Forum meeting for consideration and agreement.
17. In the slightly longer term, it is recommended that a working group consisting of a cross-section of Headteachers from all phases and the Special Educational Needs and Disability (SEND) Service is established to consider options / make recommendations to address the ongoing financial pressures and report back to the Schools Forum to ensure the service is not overspent by end of 2017/18 Financial Year.

Appendices/Supporting Information:

N / A.

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