

TRAFFORD BOROUGH COUNCIL

Report to: Executive
Date: 23 July 2018
Report for: Decision
Report of: Executive Member for Children's Services, Corporate Director Children, Families and Wellbeing and the Chief Finance Officer

Report Title

High Needs Budget 2018/19 to 2020/21

Summary

In February the Council agreed its budget proposals for 2018/19, albeit the Education High Needs Budget included a deficit position with reference to a further report to be brought back to Executive identifying how this position would be rectified. At that stage the deficit in 2018/19 was £1.18m.

A full review of the budget assumptions over the period 2018/19 to 2020/21 has been undertaken and this has identified an overall funding gap of £2.66m, comprising an updated gap in 2018/19 of £1.24m with a further £0.64m and £0.78m in 2019/20 and 2020/21 respectively.

The funding gap in 2018/19 has been addressed by a combination of:-

- 0.5% top-slice of the schools block (£778k) as previously agreed by the Education and Skills Funding Agency (ESFA) equivalent to £21.62 per pupil
- Additional savings proposals and use of DSG central reserve of £463k

It is proposed that the funding gap for 2019/20 will be met from a continuation of savings programmes which will be subject to further review and consultation and a proposed continuation of the 0.5% top-slice of the schools block. The latter will be subject to approval by the Schools Funding Forum and the ESFA.

This will allow further time to consider proposals to address the continuing funding gap and the full implications of the various proposals. In 2020/21 there will no longer be the ability to top-slice the schools block as the new "hard formula" schools funding formula will be in place and more difficult decisions around the following areas will need consideration:-

- Level of SEN delegation funding
- Level of top-ups paid to special schools
- Review of alternative provision

Recommendation(s)

Executive are requested to

- a) Approve the proposals included in the report to address the gap in the High Needs budget for 2018/19 and approach to 2019/20 and 2020/21.

Contact person for access to background papers and further information:

Name: Jill Colbert Nikki Bishop
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Background Papers: None.

Relationship to Policy Framework/Corporate Priorities	Value for Money/Excellence in Education/Services focussed on the most vulnerable people.
Financial	The report sets out the proposed budget for 2018/19 within the overall funding available.
Legal Implications:	None
Equality/Diversity Implications	The Council has complied with the requirements of its Public Sector Equality Duty. Mention consultation with schools Equalities Impact Assessments
Sustainability Implications	None arising out of this report.
Resource Implications e.g. Staffing / ICT / Assets	None of the savings measures in this report have a direct impact on staff.
Risk Management Implications	The risks associated with the budget proposal have been considered.
Health and Wellbeing Implications	The Council has complied with the requirements of its Public Sector Equality Duty.
Health and Safety Implications	The health and safety implications of the budget proposal have been considered.

Other Options

Options exist to carry forward deficits which arise on certain aspects of central DSG expenditure but these do not specifically refer to high needs expenditure. In any event this would only delay savings required to be made to later years. A local authority may decide to fund part of the overspend from its general resources in the year in question but given the size of the deficit on the Council's budget in later years this is not a realistic option.

Consultation

Consultation has been undertaken with schools on the proposals contained in this report.

The Public Sector Equality Duty

The Equality Act 2010 requires public authorities to comply with the Public Sector Equality Duty. The public sector equality duty requires public authorities to consider the needs of people who are disadvantaged or suffer inequality when making decisions regarding its service provision and policies.

People who are protected under the Equality Act 2010, have certain protected characteristics. The characteristics that are protected in relation to the Public Sector Equality Duty are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

Public authorities, when carrying out its functions, must therefore have due regard to:

- The elimination of unlawful discrimination;
- The advancement of equality of opportunity between people who have protected characteristics and those that do not; and
- The fostering or encouragement of good relations between people who share a protected characteristic and those who do not.

In considering the report and deciding whether to propose the recommendations to Council the Executive is required to have regard to the Public Sector Equality Duty. In order to satisfy this duty the Executive must consider whether the proposals are likely to discriminate against or disadvantage persons who have protected characteristics as set out above; whether there are mitigation measures which would offset any such impacts which are identified; or whether countervailing factors, namely the significant budgetary pressures facing the Council and the need to make improvements and efficiencies to the services concerned are considered to provide justification for the measures proposed.

Reasons for Recommendation

To set a balanced budget for 2018/19

Key Decision

N/A

Finance Officer Clearance ...GB... ..

Legal Officer Clearance ...DS..... ..

CORPORATE DIRECTOR’S SIGNATURE



.....
To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

BACKGROUND

- 1.1 In February the Council approved the budget proposals of the Executive for 2018/19. This report sets out proposals for balancing the Education High Needs budget which at the time had a significant budget deficit for 2018/19 of £1.18m.
- 1.2 The Dedicated Schools Grant (DSG) is used to fund the schools block, early years provision and high needs and the overall budget position for 2017/18 is as follows:-

Table 1 : DSG Position 2017/18	Budget	Final Outturn	Difference
	£m	£m	£m
Schools Block	88.206	87.950	0.256
High Needs Block (excl academies)	21.811	22.325	(0.514)
Early Years	14.195	13.733	0.462
Total	124.212	124.008	0.204
Reserve c/f from 2016/17	0.724		
Underspend in 2017/18	0.204		
Balance at 31/3/18	0.928		
Committed to :-			
Schools Block	0.256		
Early Years	0.462		

- 1.3 In recent years there has been significant pressure on the DSG mainly caused by the pressures in the high needs budget; this report explains the reasons for this, identifies the projected budget gap over the next three years and a strategy to meet this gap.

HIGH NEEDS BLOCK (HNB)

- 1.4 The high needs funding system enables local authorities to meet their statutory duties under the Children and Families Act 2014 and supports the provision for children and young people with special educational needs and disabilities (SEND) from their early years to age 25 and alternative provision (AP) for pupils who cannot receive their education in schools.

- 1.5 Over the last three years high needs expenditure has exceeded the level of DSG funding by £1.827m. An analysis of expenditure is shown below compared to the grant allocations:

Table 2 : High Needs Expenditure 2015/16 to 2017/18 (including Academies)& Budget 2018/19	2015/16	2016/17	2017/18	2018/19 Budget
	£m	£m	£m	£m
Special School Place Funding	5.467	5.523	5.741	5.814
Special School Top-up Funding	5.372	5.273	5.667	6.187
Out of Borough Placements	5.510	5.614	6.260	6.219
SEN Delegation	2.222	2.455	2.751	3.090
SEN Other	3.289	2.420*	2.496	2.026**
Alternative Provision	1.615	1.565	1.324	1.611
Other	1.405	1.393	1.315	1.470
Total	24.880	24.243	25.554	26.417
High Needs Allocation	24.080	23.730	25.040	25.176
Difference	0.800	0.513	0.514	1.241

* £767k ESFA deduction for NMSS places

** £290 transferred by EFSA from HNB to Schools Block

- 1.6 In recent years there has been an element of local flexibility across the blocks of DSG, subject to support by the schools Funding Forum and this has helped to finance the pressures felt in the high needs block. This flexibility will end on the introduction of the “hard” National Funding Formula from 2020/21.
- 1.7 Whilst the figures above demonstrate the pressure on the budget this position would have been worse had it not been for activity in recent years aimed at controlling overall expenditure and enhancing local special educational needs provision, this includes:-
- Relocation and improved facilities for Brentwood School and 6th form and creation of a Brentwood College to provide 40 additional college places for young people aged from 19;
 - Support for a primary special free school “The Orchards” to provide 80 additional places and a geographical model of special education needs provision for pupils with moderate and severe learning difficulties, ASC and social communication difficulties;
 - Review of Primary small specialist class provision and enhanced designation of Moorlands Junior School to include social communication difficulties;
 - Review of Special Educational Needs (SEN) decision making panels leading to the creation of the Special Educational Needs and Disability (SEND) Early Years Panel, Trafford Assessment Panel and the Moderation and Resources Panel with members drawn across education (including schools), health and social care to determine

funding levels and recommend placements or type of special provision and support;

- “Feel Good Schools Project” supporting 29 schools to better identify and implement strategies to meet pupils with social, emotional and mental health needs;
- “Step Back” pilot to support Section 19 children - those children permanently excluded, children not on roll at a school and other vulnerable children to access mainstream secondary education, now called “The Bridge at Lostock” and “The Bridge at Wellacre”, 12 places in total;
- Creation of a “nurture class” with designated learning and outdoor spaces for year 7 and 8 pupils at Egerton for September 2018; and
- Creation of a small specialist class for 10 year 7, 8 and 9 pupils, in the first instance, from September 2018 at Lostock College for those students with Autism and Social Communication (ASC) but who require access to a mainstream secondary curriculum. Provision will include bespoke ASC learning, therapy, breakout and outdoor space plus commissioning speech and language therapy, occupational and sensory therapy, Healthy Young Minds and Educational Psychology support.

1.8 Table 3 illustrates details of expenditure against budget in 2017/18.

Table 3 : High Needs Block Outturn position 2017/18	Original Budget 2017/18 £m	Outturn 2017/18 £m	Difference 2017/18 £m
Special Schools	11.142	11.408	0.266
Out of Borough	6.219	6.260	0.041
SEN	4.673	5.247	0.574
Alternative Provision	1.543	1.315	-0.228
Other	1.463	1.324	-0.139
Total	25.040	25.554	0.514

1.9 This helps to identify those areas experiencing significant financial pressure, with more detail shown in Table 4:-

- The average cost of Special School top-ups has increased by 6% in 2017/18 which has caused the Special Schools budget to over spend by £266k;
- The number of Education, Health and Care Plans (EHCPs) funded has increased by 6%, and the average cost of EHCPs has gone up by 10% in 2017/18 which has caused the SEN budget to over spend by £574k;

- Alternative Provision has underspent due to funding deducted from schools for exclusions increasing because of the high level of exclusions and PRU budgets underspending;
- One-off savings were made within the Sensory Impairment budget due to increased income generation and a reduction in specialist teaching provision and Speech Therapy.

Table 4 :Areas of Demand Pressure	2015/16	2016/17	2017/18
Number of places funded in Special Schools	547	552	574
Average cost of Special School top-up (£)	9,821	9,552	9,872
Average number of statements/EHCPs funded	640	653	716
Average cost of EHCPs (£)	3,472	3,760	3,842

BUDGET PROJECTIONS 2018/19 TO 2020/21

1.10 This section identifies:-

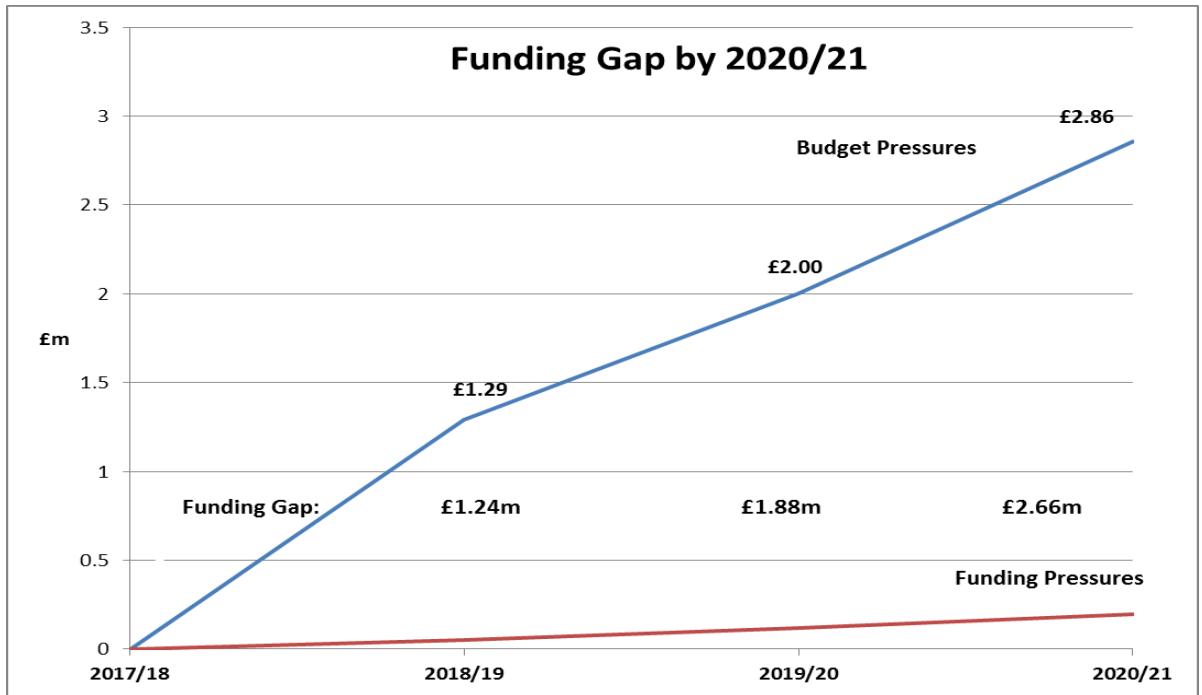
- The overall funding gap for 2018/19 and later years.
- How the funding gap has been closed for 2018/21.

1.11 There are a number of cost pressures being felt and it is generally recognised by local authorities that the HNB allocation is insufficient to meet local need. Cost pressures have occurred as a result of additional burdens introduced by the Children and Family Act 2014 remaining unfunded.

- There has been a significant increase in the number of pupils with SEND who require high needs support due to :
 - The extension of support to young people up to the age of 25. EHCPs previously ended at age 19 however under the reformed system, authorities are supporting a new cohort of young people aged 19-25 for which they have received no additional funding. This has resulted in the demand for both post 16 and 19 support rising considerably. In 2015, 162 young people, aged 16 to 19, had a Statement/EHCP; in 2018 this had risen to 306. In 2016, 9 young people, aged 20 to 25 had a Statement/EHCP; in 2018 this had risen to 49.
 - Early identification of additional needs, particularly in the early years, has also increased the size of the cohort of children who are receiving support. To date 72 requests for a new EHCP, Health and Care needs assessment have been received compared to 52 requests in 2017 and 27 in 2016.

- The number of referrals for new Education, Health and Care needs assessments is rising at an unprecedented rate. Between January and May 2017 the number of new referrals was 80; for the same period this year 177 requests have been received, an increase of 121%. This demand for assessment places additional pressure on schools, education, health and social care to undertake substantially more statutory assessments.
- The needs of pupils with SEN and/or SEND are becoming more complex and this is causing financial pressure across the HNB. There is a shortage of local specialised educational provision to meet need, particularly in relation to ASD and this is resulting in increased specialist placements with independent providers, some of which are located out of borough. (There has been an increased demand for top-up funding across all settings as illustrated in Table 4 above).
- Many schools are facing financial pressures and do not have the capacity to provide additional support to pupils so are therefore turning to statutory processes. The increasing complexity of needs is also driving up the demand for more specialist education services as pupils with low level SEND who were previously attending mainstream schools are being educated in more specialised provision.
- In addition to this, the number of students being excluded continues to increase which means there is a need to provide costly alternative provision.
- In 2017 a total of 51 parental requests were received, so far in 2018, 54 requests have been logged.

1.12 These factors are placing unprecedented pressure on the HNB for Trafford and an assessment has been undertaken of the cost, demand pressures and changes in grant over the next three years 2018/19 to 2020/21 and this has identified a budget gap of £2.66m.



1.13 The £2.66m budget gap is broadly made up as follows:-

- SEN delegation payments to schools £1.354m caused by the growth in EHCPs. In January 2016 the number of children and young people with statements/EHCPs was 1,378 and this has increased to 1,595 a growth of 15.75%, the 6th highest in the North West. The average growth for the region is 11%, our regional statistical neighbours growth is Cheshire East 0.75% and Stockport 6.08%. This has an impact on the number and value of delegation payments to mainstream schools and in additional top-up payments to special schools which have increased both in number and value over recent years as the complexity of need has increased.

Table 5: SEN Bandings	2015/16	2016/17	2017/18
A	3	3	1
B	12	9	7
C	95	64	45
D	220	225	216
E	135	149	183
F	88	107	143
G	60	66	79
H	27	30	42
Total	640	653	716

- Growth in Special School Places and top-up £1.255m (Table 4);
- Increasing out of borough placement costs £0.366m. Fee increases range from 1.6% to 10% resulting in the weekly cost of a place currently ranging from £645 to £7,436.

- There are 9 pupils attending 52 week residential placements that are funded from education (High Needs Block) and social care; a further 14 pupils are attending 38 week residential placements that is funded from education. The cost of a 52 week residential provision, education element only is between £36k and £149k with a similar range of placement costs for 38 residential week provision.
- 98 pupils/students (up to age 25) attend out of borough independent or non-maintained provision on a day placement.
- 114 pupils/students (up to age 25) attend out of borough maintained provision including academies and FE colleges.
- PRU budget increases £0.063m reflecting growth in pupil numbers.
- General inflation and contractual increases £0.115m.

1.14 Some of this has been offset by:-

- Changes to grant £0.198m; and transfer of Small Specialist Classes expenditure to the Schools Block £0.295m.

BUDGET PROCESS

1.15 The approach to balance the budget has been to ensure this is done in the fairest way possible across all schools and where possible to ensure individual proposals do not have a direct adverse impact on individual schools.

1.16 Regular meetings have taken place within all areas with Service Managers to discuss potential options. The 2018/19 budget has been balanced using less difficult options, however, in future years more widespread consultation will be required when considering future reductions in expenditure. These include a review of EHCP bandings, Special School funding, Alternative Provision and Out of Borough placements and these options will have a longer lead in time. It is therefore recommended that a top slice of 0.5% from the Schools Block is sought in 2019/20 to help balance the budget in order to allow time to adequately work up proposals for these measures.

1.17 A summary of the proposals to bridge the budget gap in 2018/19 is as follows:-

Table 6 : Savings Proposals	2018/19 £m
Budget Gap	1.241
Top-slice of schools block agreed by ESFA 18/19 & 19/20	(0.778)
Net Gap	0.463
Savings Proposed (*)	(0.248)
Use of Central DSG and other reserves	(0.215)
Remaining Gap	0.000

(*) Includes a number of measures:-

- Some elements of early years SEND provision are currently funded from the High Needs block and it is proposed to move these costs to the Early Years block.
- A removal of the subsidy funded from the high needs block for step-out provision.

1.18 There is a need to make recurrent savings estimated at £2.66m over the next three years in order to balance the high needs budget. This will involve difficult decisions and a consultation has already commenced with schools on potential options, particularly around the remaining elements of non-statutory support. The Council will continue to lobby the ESFA for additional funding and look to share in best practice with other local authorities who are all facing similar challenges with a view to reducing the remaining gap.

1.19 In the event further savings are required the following areas could be affected but this will be subject to further work to understand the implications on the quality and level of service provision and school budgets.

- Review of the SEN protection pot
- Level of SEN delegation funding
- Level of top-ups paid to special schools
- Review of alternative provision