

Consultation:
Proposal to transfer Schools Block funding to High Needs in 2019/20

1 Purpose of Consultation

- 1.1 The purpose of this consultation is to survey your views on our proposal to move some schools block funding to high needs in 2019/20. The amounts proposed are either £570,000, the same proportion (0.5%) of the schools block as 2018/19, or £820,000.

2 Background

- 2.1 The Dedicated Schools Grant (DSG) is divided into four blocks, as follows:

	18/19 Allocation to T&W
Schools	£111.349m
High Needs	£21.224m
Early Years	£12.134m
Central School Services	£1.082m
<hr/> Total	<hr/> £145.692m

- 2.2 Schools block funds mainstream schools, including mainstream academies. The main services that the high needs block funds are residential educational provision, special schools, high needs units attached to mainstream schools, alternative provision (e.g. pupil referral units, or PRUs), Educational Health & Care Plans (EHCPs) and post 16 high needs provision.
- 2.3 As part of the revised arrangements for school funding, connected to the move towards national funding formulas (NFF), there have been changes to both the make-up DSG funding and the regulations around how DSG can be deployed. One of these changes is that funds can only be moved from the schools block to high needs if there is a Schools Forum vote supporting this, or, failing this, if the Secretary of State for Education approves it.
- 2.4 The Forum's vote should be informed by the views of all schools (including academies). Even if the Schools Forum supports the proposed transfer, anything over 0.5% of the schools block still requires the Secretary of State's approval.
- 2.5 For financial year 2018/19, 27 local authorities appealed to the Secretary of State, either because they wished to transfer more than 0.5% from the schools block to high needs or because their schools forum hadn't agreed with a transfer of up to 0.5%. Of these 15 were agreed and 12 rejected. T&W did not have to ask the Secretary of State to decide, as the Telford schools forum agreed a transfer of £550,000, just under 0.5% of the schools block.
- 2.6 In the new system, any transfer from the schools block to the high needs block is not 'baselined'. Any funds proposed to be transferred have to be newly agreed in the following year. Thus the only 'new money' compared to 2018/19, if either of the 2019/20 proposals in this consultation are agreed, will be anything above £550,000.

3 Financial Context

T&W

- 3.1 High Needs funding allocated to T&W by the DfE over the past 3 years has been as follows.

2017/18	£20.150m
2018/19	£21.224m
2019/20	£21.505m

- 3.2 There was a reconfiguration of the blocks in 2017/18 so previous years totals are not comparable.
- 3.3 The 2017/18 allocation was supplemented by £0.444m of funds moved from the schools block producing a total of £20.694m, which formed the baseline for the national funding formula for high needs introduced in 2018/19.
- 3.4 Pressures on high needs have been apparent for several years, as evidenced by expenditure outstripping income. The DSG position at the end of each financial year (FY) is reported in the local authority's published accounts and reported to the Schools Forum. The last four years balances have been as follows (deficit in brackets):
- | | |
|------------------|------------|
| End of FY2014/15 | £852,000 |
| End of FY2015/16 | £351,000 |
| End of FY2016/17 | £271,000 |
| End of FY2017/18 | (£544,000) |
- 3.6 The DSG balance is predominantly determined by high needs, as expenditure and income in the other blocks approximately balance.
- 3.7 The movement in balances between 2016/17 and 2017/18 represents £815,000 more expenditure than income in 2017/18. At the start of 2017/18 there was surplus DSG carried forward from 2016/17 of £271,000 and by the end of the year the position had moved to a deficit of £544,000, thus in-year expenditure had exceeded income by £544,000 plus £271,000 = £815,000.
- 3.8 This formed the context of the proposal put to the Forum to move approximately 0.5% of the 2018/19 schools budget, £550,000, to high needs. This was agreed by the Forum.

Nationally

- 3.9 The DfE's introduction of an NFF for high needs from 2018/19 provided a means to gauge whether the previous movement of funds from the schools block reflected an unusually costly high needs budget in T&W (i.e. a specifically local issue), or reflected general pressures in the system (i.e. a national issue). If the high needs NFF produced a lower figure than T&W's base budget (after the above transfers) then this could indicate an unnecessarily high level of expenditure.
- 3.10 However, the high needs NFF allocated T&W an initial increase of 2.8% over the 2017/18 baseline, 57th highest of 151 local authorities. The table illustrating this can be found here:
<https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs> then select the document entitled "Impact of the high needs NFF 2018 to 2019"
- 3.11 Thus T&W needed a larger increase than most LAs in order for the high needs budget to reach the level of the NFF. Please note that the final 2018/19 cash allocation was adjusted for the numbers of pupils in schools as measured at the October 2017 census and a change in the distribution of special unit funding between the schools and high needs blocks in 2018/19, so does not match this 'baseline' percentage change.
- 3.12 As noted above, the budget issues experienced in T&W are far from unique. As well as the 27 local authorities that applied to the Secretary of State there are an unknown number that, like T&W, agreed with their Forum to move up to 0.5% of the schools block.

3.13 Of the 14 West Midlands upper tier authorities, five ended 2017/18 with a DSG deficit, all the other four with a larger deficit with T&W. Through regular meetings with West Midlands authorities we know that the 2018/19 DSG budget position for most authorities is very difficult. Nationally, the average increase in the high needs planned budget for 2018/19 compared to 2017/18 was 5%; for T&W it was 2%.

3.14 On the same theme, the ESFA's Schools Revenue Funding Operational Guide for 2019/20 notes that:

"144. An increasing number of local authorities are now incurring a deficit on their overall DSG account, largely because of overspends on the high needs block."

Main areas of budget pressure

3.15 One basic pressure on high needs is an increasing number of children and young people, i.e. as the total numbers increase, then other things being equal, the number of children and young people with high needs will also increase. Pre 16 pupil mainstream numbers over the past few years have been as follows:

October 2015	23,970
October 2016	24,593
October 2017	25,206

3.16 Thus between October 2015 and October 2017 there was an increase of just over 5% in local mainstream pupil numbers.

3.17 Over the same time period, special school pupil numbers increased by just over 8%, as follows:

2015/16 (Oct 15)	486
2016/17 (Oct 16)	482
2017/18 (Oct 17)	526

3.18 In addition over the same period:

- Queensway, officially a high needs unit attached to Hadley Learning Community secondary phase, but in scale and operation, effectively a further special school, increased its pupils from 48 to 60.
- A new post-16 SLD unit, Willow Tree, opened in September 2015 with 25 places, to ease pressure on places in The Bridge.

3.19 Thus part of the increase can be accounted for by a general population increase, but there has been a further increase over and above this. Evidence suggests that this reflects a national pattern which has been in place for some time. A report commissioned by the organisations Council for Disabled Children and the True Colours Trust, estimated the number of disabled children and young people has increased by over 50% between 2004 and 2017, from 49,300 to 73,000.

<https://councilfordisabledchildren.org.uk/help-resources/resources/understanding-needs-disabled-children-complex-needs-or-life-limiting-conditions>

3.20 This far exceeds the increase in the general population of children and young people over the same period. Reasons suggested for the dramatic increase include increased life expectancy for babies born with complex disabilities and congenital conditions such as cystic fibrosis.

3.21 There has also been a significant increase in pupils in alternative provision. The numbers attending the two PRUs in T&W over the last two years have been as follows:

	2016-17	2017-18
Linden Centre	54	70
Kickstart	44	57
Total	98	127

3.22 Part of this increase reflects an increasing number of permanent exclusions in the area, which have increased from 18 in 2016/17 to 26 in 2017/18. However, T&W's PRU provision goes beyond the statutory minimum, which would be just providing for permanently excluded pupils. Both the Linden Centre and Kickstart provide support for young people who need a smaller alternative setting, without schools having to go through with a permanent exclusion.

3.23 Further pressure on the high needs budget has been generated by legislative change. Post 16 expenditure on high needs in T&W is projected to increase, from around £1m in 2015/16 to over £2.5m in 2018/19. The national SEND reforms of 2014 generally raised the profile of SEN support through the introduction of Educational Health and Care Plans, but also more specifically and crucially, introduced a potential upper age for funded high needs education of 25 where this had previously been 19. No additional funding was allocated for this by the DfE, and not surprisingly this has resulted in significant additional pressures on the High Needs budget.

3.24 Alongside all of the above, the right for parents to appeal to SEN tribunals and thus overrule local authority placement decisions, has weakened the ability of local authorities to keep expenditure within the limit of available resources. Nationally, the success rate of tribunal appellants is running at 80%, and tribunal decisions appear to be taken with very little regard to available resources.

3.25 In summary, the increasing costs of high needs provision are attributable to:

- simple demographics (more children and young people in the area);
- increasing complexity of need – some driven by societal factors and some by medical advances, etc;
- increased expectations of continuing high needs provision post 16 given the use of 25 as a well-publicised cut-off point and of suitable support being provided for high needs throughout the age range.

4 Tackling the Increase in High Needs Costs

4.1 As outlined above, the pressures on high needs costs are driven by fundamental factors that are outside the control of the local authority or education providers. At present there is little sign of either a significant increase in funding, or any reversal of changes which have contributed to increasing budget pressures (e.g. the age extension to 25, the tribunal system, reduction of flexibility around the DSG).

4.2 The only remaining possible ways to address the financial situation are:

- to supplement the high needs DSG allocation with other resources (the subject of this consultation);
- to control the cost of provision by changing how it is provided.

- 4.3 In the short-term, T&W approached all areas of high needs for 2018/19 on the basis of no increase in expenditure compared to 2017/18, with the objective of clearing the brought forward deficit. This meant that special schools, for example, were allocated no more funds in the budget than in 2017/18. Clearly, the objective to freeze expenditure was challenging in the context of inflationary pressures, increasing numbers of pupils/students overall and in specific areas in particular. In addition, some areas of expenditure, such as independent placements, are by their nature volatile.
- 4.4 In order to support the initiatives to control high needs budget pressures, the local authority has invested (from local authority funds, not DSG) in additional staffing resources to carry out extensive work with providers, families and partner agencies to monitor, challenge and forward plan provision for specific young people. £350,000 of savings were targeted in 2018/19. To date £280,000 of savings has been delivered. This work is ongoing and is anticipated to deliver further savings.
- 4.5 Nonetheless, we are now over half way through the financial year and it is clear that achieving an overall freeze in high needs expenditure will be very challenging. Post 16 costs in particular have increased substantially, mainly due to the transfer of a significant number of young people from pre 16 to post 16 provision, particularly in independent placements. The local authority has a limited ability to reduce these costs in the short-term. The pressure on places at special schools is still apparent.
- 4.6 As a result it seems very unlikely that the DSG deficit brought forward will be cleared, with a more realistic objective being to avoid any significant increase.
- 4.7 To address the longer term issues, earlier this year, T&W published a 'High Needs Review and Strategic Plan' consultation.
- http://www.telfordsend.org.uk/localofferservices/info/1/home/4/local_offer_consultation_and_engagement
- 4.8 This outlined how T&W's current provision compares to regional and national comparators, illustrating, for instance, the larger proportion of children and young people in T&W with an EHCP compared to comparators.
- 4.9 Action has already been taken to start to address this situation, as follows:
- Since September 2016 a clearer pathway to EHC assessments has been developed with a focus on the graduated approach to supporting children's SEND. Decision making via an EHC panel has promoted consistency and there are more flexible avenues to access funding for children with complex SEND, through a school led inclusive forum reducing the reliance on EHCPs to access funding.
 - Requests for special school placements have begun to stabilise via more consistent decision making based on existing thresholds, albeit pressure continues to exist on settings that are already full.
 - Work has begun on the development of an early years and school based strategy to meet the needs of children with Autism including partnership with the Autism Education Trust.
 - Haughton School will be relocating to a larger and more flexible site (the old New College site).
- 4.10 The Strategic Plan also proposed the following (overleaf):

- Develop specialist resource base provision in mainstream schools for primary and secondary aged learners with social communication issues including Autistic Spectrum Conditions.
- Develop specialist resource base provision in mainstream schools for primary and secondary aged learners with cognition and learning difficulties.
- Develop specialist resource base provision at a designated site for primary aged (KS2) learners with social, emotional, mental health needs.
- Develop highly specialist provision to cater for our most complex children with SEND.

4.11 These changes are intended to better match provision to children and young people's needs, whilst controlling the cost of provision.

4.12 As noted above, a particular area of budget pressure is post 16. Several strands of work are underway to tackle this, including:

- Joint funding (with Adult Social Care) of a post to co-ordinate better transition to adult provision, to encourage young people and their families to transfer to adult services, when this is appropriate, rather than continuing to access high needs funded services;
- A review of provision at Telford College, the largest provider of post 16 high needs provision in the area;
- A review of residential placements, to ensure that all current placements are still the best option for the children and young people and ensure that new placements only take place after all other options have been thoroughly explored.

5 Proposals

5.1 The DfE have provided details of provisional allocations of high needs DSG for 2019/20. These show an increase for T&W of £0.3m. The only amendments to this will be for changes in the number of pupils in special schools in October 2018 compared with October 2017 (but numbers are likely to be fairly stable in T&W) and import / export adjustments, which account for pupils living in another LA but being educated in T&W, or vice versa.

5.2 A repeat of the 0.5% transfer from the schools block would generate at least £0.57m in 2019/20, the increase due to an increase in the budget allocated to the schools block, arising from the DfE's continued movement towards allocations at LA level using the mainstream schools national funding formula. Telford is a significant beneficiary of this formula with a cumulative increase over the two years 2018/19 and 2019/20 estimated by the DfE as 5.6%. As a result, the like-for-like increase in resources since 2017/18 for T&W mainstream schools is approximately £5.8m. In cash term it exceeds £10m, due to increasing pupil numbers.

5.3 0.5% will equate to slightly more than the £0.57m if there is further pupil growth in October 2018 compared to a year earlier.

5.4 In the context of the current budget situation, cash stability for high needs (represented by a repeat of the 0.5% transfer) supplemented by £0.3m is likely to make it very challenging to avoid increasing the deficit during 2019/20, given inflationary and demographic pressures.

5.5 In addition to a repeat of the 0.5% transfer, we are therefore also consulting on a further option of 0.5% plus £0.25m, which would result in excess of £0.8m being transferred. This would provide a better chance of stabilising the budget situation in high needs whilst the longer term measures outlined above take effect and reduce the need for reductions in high needs provision. If this higher figure is the option chosen, even if the Schools Forum agree with the proposal, we will also have to apply for DfE approval.

5.6 Each transfer would have the following impact upon a school's budget:

Transfer	Total transferred	£ per pupil	Illustrative Impact* on schools with:			
			210 pupils	420 pupils	600 pupils	1200 pupils
0.5%	£570,000	£22.80	£4,788	£9,576	£13,680	£27,360
0.5% + £0.25m	£820,000	£32.80	£6,888	£13,776	£19,680	£39,360

* Based on 25,000 pupils in T&W schools, Rec to Year 11

Consultation Questions

1 Do you support the transfer of 0.5% (same percentage as 2018/19) of the schools block to the high needs block in 2019/20?

Yes No

2 Do you support the transfer of 0.5% plus £250,000 of the schools block to the high needs block in 2019/20? Please note that this option would require secretary of state approval in addition to schools forum approval.

Yes No

3 Do you have any comments you wish to make?

Thank you for responding to this consultation.

A summary of responses will be reported to the Schools Forum taking place at 9.30 am on Thursday 22 November at Meeting Point House. School Forums are public meetings so you are welcome to attend as an observer should you wish. The agenda and accompanying papers will be available on the Schools Forum section of T&W's website approximately two weeks before the meeting takes place.