

## High Needs Block Overspend SCHOOLS FORUM UPDATE 18.09.2018

### 1. INTRODUCTION

This paper provides an update on key findings since the June 2018 Schools Forum, regarding the current deployment of High Needs Block (HNB) funding, and a summary of progress in identifying potential options to help address the significant overspend in this area.

It puts forward a proposal for a phased approach, with an initial phase comprising potential opportunities for cost recovery, savings from the rationalisation of centrally-funded services and the redeployment or re-profiling of funding across DSG blocks. Followed by an in-depth 'whole system' review conducted jointly with schools, of how all available resources can be used most effectively to meet local needs, in a financial environment where we need to make every pound count. **Schools Forum are requested to:**

- note and provide feedback on the potential phase 1 High Needs Block savings and income options set out at section 4.2
- agree a commitment to work with the Local Authority on a joint strategic review and action plan for high needs provision and subsequent stakeholder consultation
- give in-principle agreement to proceed with preparatory work for submission to the ESFA of a request for dis-application of funding from the Schools Block (subject to final allocation), and to adjust the spending profile in the Central School Services Block

All proposals set out in the paper are subject to further consultation and equalities impact assessment as required in relevant statutory duties.

### 2. BACKGROUND & CONTEXT

**2.1 High Needs Block Funding:** The new HNB Funding Formula introduced by Government in 2018 uses a range of local factors to calculate each authority's allocation, but is significantly weighted toward levels of historical spend against the block. For several reasons (including good planning in the development of local provision to reduce spend on costlier independent places), LBHF spend has been comparatively low. As such we have disadvantaged relative to boroughs who may not have planned their provision as well. LBHF Table 2.1 demonstrates the sometimes substantial disparity in funding between LBHF and comparator boroughs with similar numbers of pupils and levels of need.

**Table 2.1 Comparison of High Needs Block Allocations (2018/19 before academies recoupment)**

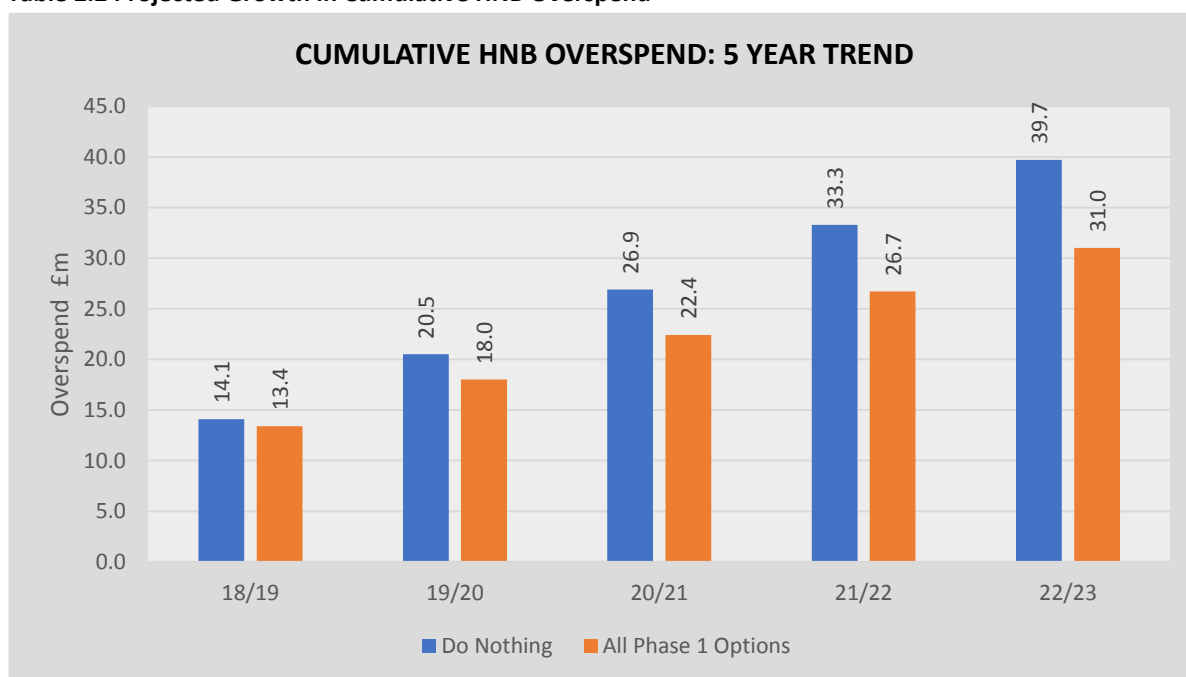
AUTHORITY	PUPILS	EHC PLANS	ALLOCATION	£ / Pupil	£/ EHCP
Camden	22,810	1,097	34.9m	1,529	31,795
Islington	24,945	1,008	27.7m	1,112	27,523
Westminster	22,745	871	25.2m	1,106	28,875
Hammersmith & Fulham	20,858	1,089	21.2m	1,017	19,487

## 2.2 High Needs Block Overspend

At the June 2018 Schools Forum, the Local Authority set out the broad financial context for the future planning, management and control of the High Needs Block budget, in terms of the significant and on-going gap between the LBHF allocation and local expenditure.

At the end of 2017/18 the cumulative, retained High Needs Block overspend stood at £7.7m. Table 2.2 (below) shows the comparative growth in the cumulative overspend over the next five years based on a scenario where no mitigating action is taken, and another where all the potential phase 1 savings and income options as set out in this paper are fully implemented. Nb All projections are based on 2018/19 expenditure and funding levels (no growth)

**Table 2.2 Projected Growth in Cumulative HNB Overspend**



- Both scenarios result in additional growth to the cumulative HNB overspend in the period, in the range £23.3m – £32m.
- ‘Do Nothing’ – if expenditure remains at current levels and no mitigating action is taken, the Local Authority overspend is projected to increase by £32m to £39.7 by 2022/23.
- If all potential Phase 1 options for savings and/or income are fully implemented the overspend is projected to increase by £23.3m to £31m.

## 2.2 Understanding High Needs Block Expenditure

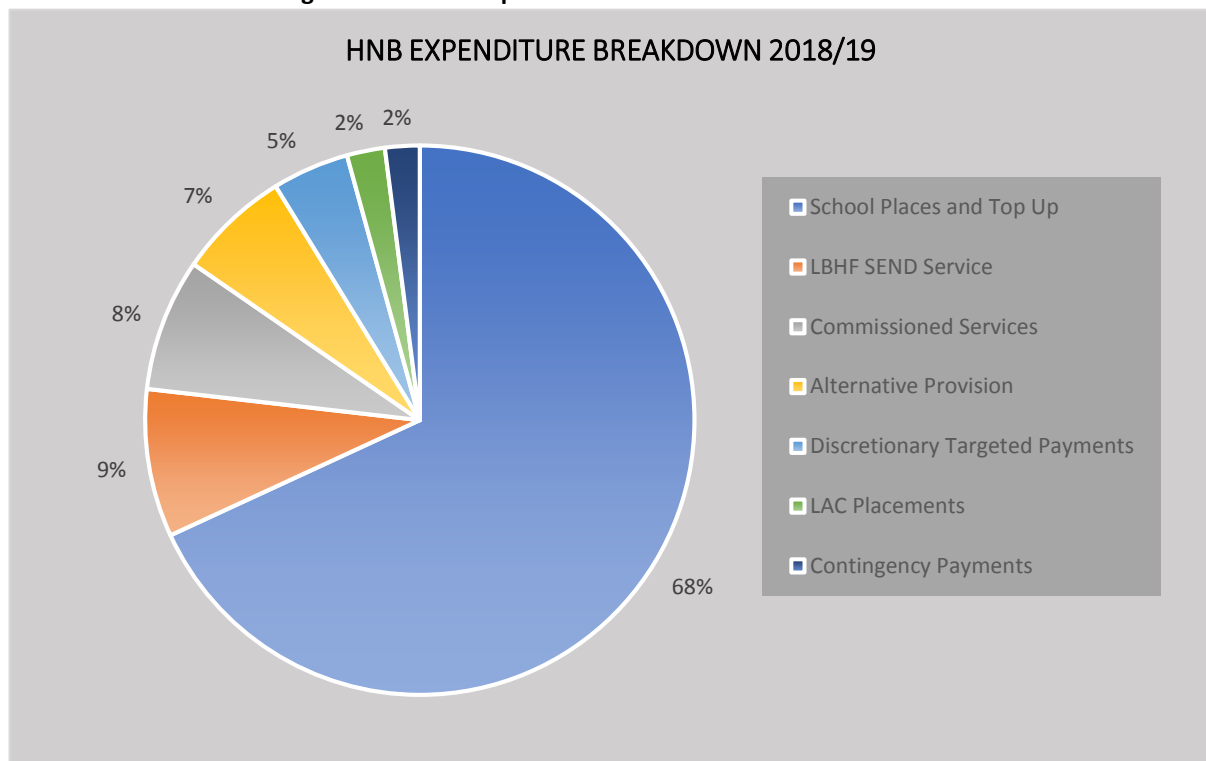
It was agreed that as a first step a forensic analysis of current High Needs Block expenditure be undertaken, to inform any analysis of potential options for bridging the gap in funding and to provide a solid baseline for future decisions (see section 3.)

### 3. HIGH NEEDS BLOCK EXPENDITURE

As the breakdown in table 3.1 (below) demonstrates, the High Needs Block budget is deployed against a range of expenditure, including centrally delivered and commissioned wrap-around therapeutic and specialist teaching. However, the bulk of the funding (approx. 85%) is either directly or indirectly 'passported' to schools through:

- the commissioning of places in special schools and alternative provision
- payments for top-up funding associated with individual children and young people with an Education, Health and Care Plan
- additional payments to schools under the terms of local policy agreements (e.g. targeted and contingency funding.)

**Table 3.1 Breakdown of High Needs Block Expenditure**



Notes:

- Chart shows % spend of projected expenditure for 2018/19
- All figures after academies recoupment

## 4. OPTIONS FOR REDUCING THE HNB OVERSPEND

### 4.1 Identifying Potential Options

In light of the scale of the High Needs overspend, Local Authority SEND Service and Finance staff have been exploring all potential options to help bridge the gap between funding and expenditure, including:

- opportunities for LA cost-recovery by virtue of LBHF being a significant net-importer of pupils with special educational needs
- the redeployment of funding across DSG blocks (within regulatory and local constraints) in order to focus more resources on high needs provision
- the rationalisation and consolidation of centrally-funded SEND provision, within the context of a wider whole-system review to develop more inclusive education, and securing better value for money from commissioned provision
- reviewing current locally-defined policies for the deployment of High Needs Block funding, and whether they effectively target agreed local needs and priorities.

### 4.2 Phase 1 Options

In the first instance work has concentrated on identifying any 'quick wins' to start controlling the overspend (largely through cost-recovery and redeployment of funding), and on opportunities for improved operational efficiency where we are confident they can be implemented without detrimental impact on current levels of service. These are set out in table 4.1 (below)

**Table 4.1 Potential Options for Reducing HNB Overspend (Phase 1)**

OPTION	DESCRIPTION	£ ,000	START DATE
<b>Schools Block Dis-application</b> (Redeployment)	Make a yearly business case to SF & ESFA for the transfer of funds from the Schools Block to the High Needs Block, up to at the maximum level permissible within the school minimum funding guarantee for that financial year.	1,000 (up to)	19/20
<b>Central Schools Services Block</b> (Redeployment)	Re-profile current expenditure across a range of asset management and support services currently funded from the CSSB, and redeploy savings to the High Needs budget.	750	19/20
<b>Outreach</b> (Whole System Review)	Reduce expenditure through a rationalisation of commissioned and in-house provision, including removing duplicated provision & ensuring Outreach offer matches local needs.	100	19/20

<b>Home Tuition</b> (Whole System Review)	Control expenditure through: reduced spot purchase and numbers accessing long-term home tuition; sourcing alternative specialist provision for the most expensive placements and enabling move from 1:1 to group learning through developing-site based tuition service.	425	18/19
<b>Non-Resident Admin Fee</b> (Cost Recovery)	Cover the cost of LBHF LA overheads in place planning and financial processing, for non-resident children with an EHCP in maintained schools (flat rate % uplift).	368	18/19
<b>Non-Resident 'Wrap-around' Provision</b> (Cost Recovery)	Cover the cost of LBHF wrap-around therapies provision (OT and SLT) to non-resident children with an EHCP in maintained special schools.	175	18/19
<b>Academy Recoupment From 2019/20</b> (HNB Allocation)	Monies historically recouped in error from the LA (by the ESFA), for resource unit places in academies will be retained in the HN Block from 2019/20. Note - this will happen automatically.	460	19/20

Notes:

- i. All income/savings amount are after option has been fully implemented and it may take a number of years for full effect to be realised.

#### 4.3 Recovery of Age Weighted Pupil Unit (AWPU)

ESFA guidance is clear that where pupils are excluded, funding should flow in-year from the school that has excluded the pupil to the provision that takes responsibility for the pupil. If a school subsequently admits a pupil who has been permanently excluded during that financial year, it should then receive additional funding.

The provisions here also apply to pupils who leave a mainstream school for reasons other than permanent exclusion, and are receiving education funded by the local authority other than at a school.

The regulations make it clear that the deduction should cover not just the basic entitlement but also the relevant amounts for pupil-led factors, such as free school meals or English as an additional language, where the pupil would attract funding through those criteria. Where the pupil is funded according to the post-16 formula, the amount attributable to the pupil is £4,000.

The LA will develop the necessary systems and processes over the coming term, in order to implement a system of AWPU recovery for children who are excluded or moved, making sure that the funding follows the child where appropriate.

## 5. NEXT STEPS

### 5.1 Governance

It is proposed that a joint High Needs Block Strategic Board is established to take forward this work, including named Head Teacher representation from maintained and academy schools across all phases and with a remit to direct and support a whole-system review and stakeholder consultation. The Board to meet monthly from October 2018.

### 5.2 Phase 2: Whole System Review

Although the potential opportunities for cost-recovery, service re-modeling and redeployment of funding as set out (above), will - if agreed and implemented - go some way toward addressing the HNB overspend, a significant and on-going financial challenge will remain. In this environment it will be imperative that we are assured that all available resources are being used to maximum effect and are effectively targeted toward agreed local needs and priorities. To this end it is proposed that a SEND whole-system review is undertaken, that:

- encompasses universal, targeted and specialist settings and provision and the role that each play in identifying and meeting special educational needs
- develops and supports preventative approaches within the framework of a local strategy for inclusive education
  - manages overall costs through earlier intervention to prevent escalation to costlier statutory intervention and clear planning for return to mainstream provision when defined outcomes have been met
- defines and agrees local needs and priorities and assesses how well the current configuration of provision is aligned
- ensures co-production of services with parents and young people and transparent, meaningful consultation on proposed changes prior to budget decisions
- employs 'zero-based budgeting' techniques to enable fresh thinking (i.e. how would we build the service if we were building it today?)
- continues to look for opportunities for improved financial controls and value for money commissioning