

# Southend-on-Sea Borough Council

Report of Deputy Chief Executive - People  
and Director of Finance and Resources

To  
**Education Board**

On  
**5<sup>th</sup> June 2018**

Agenda  
Item No.

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## High Needs Block detailed budget allocation 2018/19

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### **1 Purpose of Report**

To present the High Need's Block detailed budget allocations for 2018/19

### **2 Recommendations**

Education board are asked to:

- 2.1 Agree and adopt the detailed High need budget allocation for 2018/19 as presented in this paper.

And as referenced within this paper, agree:

- 2.2 That the flexible place funding allocation of £80,000 for Special Schools continues to be adopted in 2018/19. (As referenced in section 7.1)
- 2.3 That the 2018/19 Educational Health and Care Plan (EHCP) top up funding rates passed over to the 4 special schools who form part of the SEN trust are held to their same rates as 2017/18, (As referenced in section 7.4)
- 2.4 That the EHCP top up funding rates for the special school Sutton House are reduced by the maximum allowed minimum funding guarantee from September 2018. (As referenced in section 7.5)
- 2.5 That the EHCP top funding rates awarded to Special base units are amended in 2018/19 to compensate for what would have been a loss to primary schools, by reducing the gain for secondary schools. (As referenced in section 7.6)

- 2.6 That the Pupil Referral Unit (PRU) top up rate is held to the same funding rate as 2017/18. (As referenced in section 7.8)
- 2.7 That the 2018/19 EHCP hourly top up funding rate passed over to support pupils within mainstream schools are held to the same funding rate as 2017/18. (As referenced in section 8.2)
- 2.8 Where a Southend child with an EHCP plan is placed in another local authority school, Southend's high needs block will only pay a maximum £50 charged administration fee rather than the administration fee set by that local authority. (As referenced in section 8.3)
- 2.9 That the disapplication request of Minimum Funding Guarantee for special school top up funding can be applied for to the Department for Education (DfE) in consultation with those schools. And if permission was granted, it would only be acted upon by the subsequent approval of the Education Board. (As referenced in section 11.4)

### **3 Background**

- 3.1 The Department for Education (DfE) announced the Dedicated Schools Grant (DSG) funding allocations for 2018/19 on the 19<sup>th</sup> December 2017. The "Dedicated Schools Grant 2018/19 budget paper" was presented to the Education Board on the 16<sup>th</sup> January 2018, providing the totality of funding for each of 2018/19 DSG blocks.
- 3.2 As consistently reported, for the last two financial years 2016/17 and 2017/18, the High Needs block has overspent considerably, with overspends in both years of £0.827mil and £0.677mil respectively. These overspends have contributed to now total depleted DSG reserves to be carried forward into 2018/19 of a deficit balance of (£65,000). And note, of which £0.502mil has been put aside for Early Years provision from the 2017/18 Early Years underspend, and a net (£0.567mil) deficit attributable to High Needs DSG reserve balances.
- 3.3 It must, however also be noted, that the High Needs increased funding pressure over the last two financial years is due to a combination of increased demand and therefore award of funding for Education Health and Care Plans (EHCP), as well as, complexity of cases requiring more places in special schools and higher levels of funding in mainstream schools. This is also a picture that is being experienced in all other local authorities.
- 3.4 In order to contain the distribution of High Needs funding within allocation and target some pay back of funds to depleted DSG reserve balances, the Education Board agreed the creation of the High Need Funding task and finish group in December 2017. The main aim of this group was to review the High Needs spend areas in depth and identify any further immediate 2018/19 targeted savings.
- 3.5 Therefore, it was agreed at the January and March Education boards, to defer this paper setting the detailed 2018/19 High Needs budget allocations to the June Education Board, which allowed the work of the High Needs Funding task

and finish group to complete by the end of March. The results of this group have informed the production of this paper.

- 3.6 Since December 2017, when provisional funding allocations for 2018/19 were first announced, the message presented to Education Board has been consistent, and given the funding pressures within High Needs, a freeze in the high needs f top up funding rates passed over to Special schools, PRUs and In borough mainstream schools was the best case scenario for their own budget planning, and therefore that message has continued to be adopted and implemented within this paper.
- 3.7 It is still a requirement that a longer term revised funding model is developed to ensure a consistent and affordable distribution of EHCP funds. This work will also include a full review of any current gaps in High Need provision, as well, as any inefficiency in current provision. The results of that review will be expected to ensure High Needs funding is targeted to ensure the best of the funds, whilst also achieving sustainability of provision within funding allocations moving forward. This work has already started under the lead of Special Educational Need Group Manager appointed in February 2018, with the aim of completion for implementation in the 2019/20 academic year.

#### **4 2018/19 High Needs detailed funding allocations**

- 4.1 The detailed and proposed high needs budget allocation for 2018/19 is presented in Appendix 1.
- 4.2 As presented at the January 2018 Education Board in the “Dedicated Schools Grant budget 2018/19” paper, the total provisional DSG funding allocation for the 2018/19 High Need block is £18.209mil, which is an increase of £0.425mil from the 2017/18 High Need block allocation of £17.784mil. The High Needs block is still provisional, as the DfE have yet to announce the final 2018/19 import and export adjustments relating to local authority home pupils placed in another local authority setting. However, this funding adjustment is not expected to cause any material difference to the current allocations and should therefore not hold up the required budget planning.
- 4.3 The 2018/19 awarded funding increase of £0.425mil, is as result of the DfE High Needs revised national funding formula implemented in 2018/19, where it is now recognised within that formula if there was no cap applied on funding gains, Southend would actually be in receipt of £19.315 mil. This is due to new funding factors incorporating local demographics as well as historic funded levels. However, given the DfE’s national 3% cap on funding gains in any given year, the funding formula has capped the gain for Southend’s meaning the 2018/19 funding allocation is £18.209mil. In 2019/20, Southend’s provisional funding allocation is again capped to £18.554mil, which is still well below the £19.315mil suggested National Funding Formula allocation. This does support the argument that Southend has been historically underfunded and therefore it is not unduly surprising that the Authority has been unable to contain current High Need spend levels within its actual funding allocation.
- 4.4 The DfE has also made no announcement about High Need funding allocations from 2020/21, and therefore it is impossible at this current time to assume

Southend will receive from 2020/21 the full national funding formula suggested amount. Therefore all current future DSG budget planning can only be acted upon with a fair degree of certainty up until the end of 2019/20.

- 4.5 Whilst the residual increase in funding for 2018/19 that has been awarded is, of course welcome, the 2018/19 funding allocation is still not sufficient at a minimum to meet the 2017/18 actual spend position of £18.461mil, and this does also not allow for any further future cost incurred above current spend demand. High Needs spend in 2018/19 must therefore continue to be contained, in order to be affordable within its current funding allocation and not add any further pressure to already depleted DSG reserves.
- 4.6 To aid with the required recovery of depleted DSG reserves, this paper also proposes that a targeted £0.200mil (or equivalent 1.1% of total 2018/19 High Needs block funding) is top sliced from the additional £0.425mil funding awarded to the High Needs block in 2018/19. If 2018/19 High Need spend levels are therefore contained within the remaining funding allocation, this will achieve the partial restoration of depleted DSG reserves. Full restoration of depleted DSG reserves is targeted to be delivered by the end of 2019/20, and this is in accordance with advised indicative DSG block funding allocation's up until 2019/20 only.

## 5 Summary table of proposed budget allocations between 2017/18 to 2018/19 as illustrated in Appendix 1

Summary Heading	2017/18 Budget	2018/19 Budget	Budget movement
Place funding	£7.572m	£7.442m	(£0.149m)
Special and PRU top up funding	£4.925m	£4.905m	(£0.020m)
Schools, early years, post-16 top up funding	£2.924m	£3.014m	£0.090m
Independent Providers	£0.900m	£1.223m	£0.324m
Other Provisions including SLA's	£1.463m	£1.444m	(£0.019m)
Targeted payback to DSG reserves		£0.200m	£0.200m
<b>Total</b>	<b>£17.784m</b>	<b>£18.209m</b>	<b>£0.425m</b>

## 6 Place Funding

- 6.1 Place funding in 2018/19, has continued to be set in accordance with the final place funded pupil numbers for 2017/18. Place funding amounts per pupil are defined by the DfE and set at £10,000 per annum per place for Southend's special schools, pupil referral unit and alternative provision free school. Further education post 16 providers are set at £6,000 per place per annum.
- 6.2 As previously advised, the 2018/19 high needs place funding awarded to special units in mainstream schools, has now been set at £6,000 per place per annum where occupied. This was previously funded at £10,000 per place from the high needs block, but due to changes implemented in accordance with the national funding formula those pupils attending special units are now considered registered pupils of the school and therefore built into the schools

own allocation of DSG budget share. Therefore this £6,000 per place per annum, should now be viewed as additional place funding on top of the individual schools own DSG funding allocation.

6.3 Appendix 2 – provides the place funding allocations and funded pupil numbers for each school in 2018/19.

6.4 The final budget allocation awarded to place funding in 2018/19 is £7.442mil, this is a reduction of (£0.149mil) from the 2017/18 allocation, due to the changes, as explained, in place funding allocated from the high needs block for special units in mainstream schools.

## **7 Top up funding for Special Provisions**

7.1 A budgeted funding provision of £80,000 has continued to be allocated to support special schools that are expected to run with place numbers over and above their place funded allocation. The historic agreed distribution of this fund will also continue into 2018/19, to provide an additional £20,000 for every 7 additional pupils above the schools funded place number. The review of commissioned places and banding descriptors being led by the Group Manager SEN will aim to ensure that the Local Authority fulfils its statutory responsibility of commissioning sufficient places in its specialist provisions by the beginning of the 19/20 academic year. This review will also recognise the financial restrictions on the High Needs Block budget.

7.2 As shared at the previous Education Board, the submitted Special School Minimum Funding Guarantee (MFG) disapplication request made in October 2017, which the July 2017 Education Board approved the submission of, but would only be recommended to be acted upon in the absence of no alternative way of seeking a balanced high needs budget, has been rejected by the DfE for the 4 Special Schools who form part of the Southend SEN Trust. The DfE have now also announced the outcome of disapplication request for the remaining 5<sup>th</sup> Special School, Sutton House, sponsored by the Parallel Learning Trust (PLT) which has also been rejected.

7.3 The current number of Southend pupils expected to attend a special school in 2018/19, and their associated top up banded amount has been formulated to calculate the overall annual expected amount for distribution. The workings of this calculation are shown in Appendix3. These figures are of course a best estimate for the year as a School may be asked to admit additional pupils or pupils may leave at any time during the year. The 2017/18 top up banded rates allocated to all special schools, had been reduced from September 2017 by the allowable 1.5% minimum funding guarantee reduction from their 2016/17 rates. This was to assist with the alleviation of further High Need budget pressures in 2017/18, but also in the context that the total top up funding awarded to special schools for 2017/18, had increased substantially from 2016/17, which again had also increased substantially from 2015/16.

7.4 Now, given that both, the expected total amount of top up funding to be awarded across the 4 special school in 2018/19 that form the SEN Trust is at a similar to level to that distributed in 2017/18, as well as 2 of 4 the special schools running with occupancy numbers above their current place funded

numbers, it is proposed to aid those schools for their own financial planning and stability, that their top up banded rates for 2018/19 are held to their current 2017/18 funded amounts.

- 7.5 It is, however proposed that the top up funding rates applied to the special school Sutton House in the PLT trust, are again reduced by the allowable maximum 1.5% minimum funding guarantee reduction from September 2018, this is due to the fact that the banded top up funded rates applied to that school are historically considerably higher than the top up funding rates applied to the other 4 special schools. By reducing their rates by the further allowable 1.5% will continue the longer term aim of administering consistently applied top up funding rates to support a pupil based on their need and regardless of what setting they attend.
- 7.6 As referenced in 6.2, due to the changes in place funding allocations for special base units, it is proposed that the top up funding rates for the individual schools are amended to compensate for what would have been a loss to the primary schools, by a reduction in the gain awarded to the secondary schools. The 2017/18 and 2018/19 top up rates are presented in Appendix 4. It is proposed these changes are implemented from April-18 in accordance with the changes through the national funding formulae.
- 7.7 From Sept 2018, funding for both special unit and special schools top up rates, will now also be made on the actual start and end date of placements, as oppose previously funding for the term, this will therefore further tighten the financial controls where top up funding follows the pupil.
- 7.8 The pupil referral unit top rate is funded at £8,000 per pupil. The SLA was amended from July 2017, to now only pay on places occupied as opposed a blanket 85% occupancy expectation; therefore savings have been delivered in 2017/18 by paying on actual occupancy level. The high needs block will also continue to recoup any funding from a mainstream school's budget share where a pupil has been excluded and placed in the PRU. Therefore, again to aid stability of those placements, it is proposed the top up funding rates applied should be held. However, this does still allow that the 2018/19 budget allocation to be set can be on a reduced allocation from 2017/18, due to the expected occupancy for a full financial year, as well as, the continued clawback of excluded pupil funding.
- 7.9 The final budget allocation awarded to this special provision top up provision in 2018/19 is £4.905mil, this is a slight decrease of £20,000 from the 2017/18 allocation.

## **8 Top up funding for early years provider, mainstream schools and post 16 providers**

- 8.1 High Needs, Early year's SEN funding allocation where a child has now received an EHC plan, has continued to be set at the 2017/18 funded level. Whilst it is recognised there was an £80k funded pressure on this service line in 2017/18, this was able to be absorbed through the 2017/18 underspend in Early Years. Therefore, in order to reduce further strain to the High Needs funding allocation, it is proposed that the allocation remains at the same level, but work

is undertaken between the Early Year's Service and the SEN Team to ensure a funded and costed proposal is brought forward for 2019/20. This will need to include both the statutorily required Early years SEN inclusion fund (which has been historically funded from the £0.5mil transfer from the Schools Block ending in 2018/19), and a High Need top up funding allocation for Early Years. Therefore, given the constraints on funding in 2018/19, should any overspend on this High needs allocation in 2018/19 occurs, this is expected to be absorbed through the early year's 2018/19 funding allocation or drawn down from the Early years DSG reserve allocation .

- 8.2 The EHCP hourly funded top up rate, awarded to In-borough mainstream schools was reduced in 2017/18 from £11.98 per hour to £11.39 per hour, and savings were therefore delivered. To assist on stability with this funded provision, but whilst also considering the funding strain on High Needs, it is proposed that the 2018/19 hourly rate is held to the current level of £11.39 per hour. Given the High Needs block has also received additional funding of £0.425mil, it is proposed that £0.160mil of that budget increase is now allocated to this funded provision to support both the primary and secondary schools in 2018/19, to maintain the actual funded levels supported in 2017/18. This does therefore also mean any 2018/19 demand growth, will need to be contained within this allocation.
- 8.3 Out of borough Mainstream or Special Schools. Where Southend children are placed in schools in another authority, guidance by the DfE, expects the top up funding rate of that authority where the child is placed to be honoured. Therefore there is no control in terms of price's to be paid for that child where this occurs. However, the 2018/19 funding allocation has been re-based to the match the 2017/18 spend position, and this has offered a £70,000 budgeted saving allocation. In order for this to be delivered, spends levels in 2018/19, need to be maintained at the 2017/18 funded level. To also further support this spend provision target, Education Board are also asked to support the proposal that Southend will only pay the Home Authorities approved rate either banding/average rate in specialist provisions and banding/hourly rate in mainstream schools. In addition Southend will only reimburse a fixed administrative fee of £50 per invoice from another authority school rather than the individually set fees and the percentage add on still applied by some other authority schools.
- 8.4 The 2018/19 funding allocation for high need Post 16 provision will continue to be set at the same funded level as 2017/18. It is proposed that the SEN team continue to manage the distribution of funds within this allocation, however it is recognised there is risk on deliverability as EHC plans cover ages 0 through to 25, and this has resulted in increased funding pressures supporting post 16 placements.
- 8.5 The final budget allocation awarded to this top up funding provision in 2018/19 is £3.014mil, this is a net increase of £0.090mil from the 2017/18 budget allocation.

## **9 Other funding provision including SLA's**

- 9.1 In 2018/19 the methodology of awarding funding to mainstream schools where there are low cost high incidence (LCHI) pupils with special education needs will be reviewed. It is expected, that this funding allocation can be administered within £10,000, therefore offering a budgeted allocation saving from 2017/18 of (£40,000). Details of the distribution of funding for LCHI funding, will be bought back to the Education Board.
- 9.2 The budgeted allocation for education services provided to Southend children in hospitals has been increased to £100,000 from £71,000. Whilst in 2017/18 less was spent than the £100,000 with a spend level of £70,000 actual spent, in 2016/17 more was spent at £130,000. A small element of the High Needs national funding formulae, is based on the anticipated spend position of hospital education and will be evidenced through the Sec251 returns. Therefore, it will be in Southend's own interest to ensure a realistic budget allocation for this provision is set, and this has now been increased based on the average spend position over the last two financial years. Please note £32,000 of this £100,000 allocation is to pay for Southend hospital tuition service administered through the SLA with the PLT. The remaining £68,000 is therefore to cover additional educational costs where a Southend child is placed in another hospital.
- 9.3 The SEN team DSG allocation has been set to be maintained at £422,000. This is a historic contribution to the staffing costs of the SEN team, and by honouring this existing contribution will assist with the stability of that team.
- 9.4 All service level agreements for Individual tuition service' s and outreach services have been initially set at the same funded levels of that in 2017/18. However, given the constraints of high needs funding, these services will be reviewed and a 2018/19 budgeted saving target of (£117,000) has been identified. As shown Appendix 1, this has effectively replaced the undelivered 2017/18 target of (£108,900). The local authority commissioners will be responsible for the delivery of this saving, and will consult with the required providers to achieve this.
- 9.5 The final budget allocation awarded to this funding provision is £1.444mil, this is a net decrease of £0.019mil from the 2017/18 budget allocation.

## **10 Independent providers**

- 10.1 School age children, whose educational needs are unable to be met through a mainstream school, special school, PRU or the AP free school have to be met through the use of Independent providers. The independent provider allocation was considerably overspent in 2017/18, however it also needs to be noted that Southend has significantly fewer independent placements than most local authorities.
- 10.2 As reported to the Educational Board in March 2018, the SEN team state that independent provision is only used where there is no viable alternative available within Southend or where directed by SEND Tribunal and therefore these costs are largely unavoidable. In the short term, it is therefore a necessity, that the remaining funding allocation of the £0.425mil is used to support this provision.

This budget allocation has therefore been awarded a £0.324mil increase. However, even, after this increase in budget allocation, the 2018/19 budget set is still below the 2017/18 spend levels. Therefore, in order for the SEN team to manage the high risk of delivering within this funding allocation, this will also need to include managing and constantly reviewing in year spend levels across all high needs allocations.

- 10.3 The final budget allocation awarded to this funding provision in 2018/19 is £1.224mil, this is an increase of £0.324mil from the 2017/18 budget allocation.

## **11 2019/20 Budget Allocation and future High Needs planning**

- 11.1 This paper sets out a mechanism to allocate a balanced High Needs budget for 2018/19. However, as has been flagged in certain parts of this paper some proposals do carry a fair degree of risk around deliverability.
- 11.2 The longer term aim of the High Needs budget, for implementation in the 2019/20 academic year, remains to apply a revised and consistent top up funding approach, as well as a full review of all high need funded area's including their effectiveness to deliver the required outcomes for those pupils and any gaps in required high need provision.
- 11.3 However, it also needs to be acknowledged that high needs pupils are those whose needs cannot be met by resources delegated via the schools block. Reduction in inclusive practice, increased requests for EHCPs, pupil exclusions, parents of SEN pupils electively home educating and placements in special schools all put pressure on the high needs block. Therefore, future and current High Needs budget pressures cannot be sustained without the support of the wider schools community.
- 11.4 Therefore, as this work continues to progress, there may be a requirement to seek another disapplication of minimum funding guarantee to the DfE for special school top up funding, which could either be related to a particular school or schools. It is however, now clear that the DfE will only approve these requests with the support of that Special School. Therefore, given the timing of submissions for disapplication requests to the DfE by the end of October 2018, this paper, is also, again, asking for Education Boards permission to apply for disapplication in consultation with that special school where required. Again, if the DfE granted this approval, it would only be recommended to be acted upon where required and with the approval of the Education Board.

## **12 Conclusion**

- 12.1 The high needs budget was significantly overspent in 2016/17 and 2017/18 resulting in now depleted DSG reserves. Whilst the DfE have awarded additional funding to the High Needs Block for Southend, this is still a long way below their funding allocation if no caps on funding gains were applied. Whilst this paper does allocate a balanced budget for 2018/19 given the constraints on funding, there is risk on the deliverability.
- 12.2 In the event, High Needs spend is unable to be contained within this 2018/19 budget allocation, this will result in further financial strain added to the already depleted DSG reserves. If this does occur, this will likely lead to no choice, but to recommend to Education Board, that a top slice of the additional funding expected to be awarded to the 2019/20 schools block is directly allocated to the restoration of depleted DSG balances. This position, as required, will be brought to the attention of the Education Board in October 2018.

## **13 Appendices**

- Appendix 1 – DSG High Need Budget 2018/19
- Appendix 2 – Place funded pupil numbers per school
- Appendix 3 – Special school top up rates for 2018/19
- Appendix 4 – Special base unit top up rates 2018/19