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## **Summary Sheet**

### **Schools Forum**

24<sup>th</sup> November 2017

### **High Needs Finance Update and Budget Sustainability Options**

**Is this a Key Decision and has it been included on the Forward Plan? No**

### **Report Author(s)**

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### **Ward(s) Affected**

Borough-Wide

### **Summary**

This paper summarises the financial position in 2017/18 of the High Needs Block of the Dedicated Schools Grant (DSG). The recent growth in volume through increased demand for special educational places and the impact on cost is outlined and compared against previous years.

Finally, options to bring the High Needs Budget to a sustainable level are explored in light of the changes to the High Needs Fair Funding Formula, National Schools Funding Formula and the Council's SEND Sufficiency Strategy.

### **Recommendations**

- Note the in-year High Needs forecast of expenditure as per October 2017.
- Note the growth in demand for Education and Health Care Plans in Rotherham.
- Consider options to provide future budget sustainability.

### **Background Papers**

SEND Sufficiency Report to Cabinet (September 2017)

## **High Needs Finance Update and Budget Sustainability Options**

### **1. Recommendations**

- Note the in-year High Needs forecast of expenditure as per October 2017.
- Note the growth in demand for Education and Health Care Plans in Rotherham.
- Consider options to provide future budget sustainability.

### **2. Background**

- 2.1 Rotherham faces considerable pressure in continuing to meet the needs of pupils with Special Educational Needs and Disabilities (SEND). There are increasing numbers of pupils with an Education, Health and Care Plan (EHCP) or its predecessor, the Statement of Special Educational Needs (SEN) and in-borough special school provision is currently over-subscribed.
- 2.2 Wherever possible children and young people should have their needs met in their chosen mainstream setting, educated alongside their peers within their local community. However for children with more complex needs specialist settings are sometimes more appropriate. Whether they are educated in mainstream schools or through specialist provision, these children and young people have a right to additional funding through the High Needs Budget – part of the Dedicated Schools Grant – through which their educational needs must be met.
- 2.3 During recent years Rotherham has faced growing pressure on the High Needs Budget which has resulted in year on year deficits. In 2015/16 the High Needs in-year deficit was £1.004m; in 2016/17 it was £4.632m (a cumulative deficit of £5.636m); and in 2017/18 it is forecast to be £4.361m (a cumulative deficit of £9.997m).
- 2.4 Over the same three year period the number of children and young people with EHCPs and their predecessor SEN has grown. In 2015/16 (Jan-16) the number of EHCP/SEN was 1,230; in 2016/17 (Jan-17) it was 1,539; and in 2017/18 the current position (Nov-17) is 1,776.
- 2.5 The High Needs Budget allocation has increased year on year but, partly due to Rotherham's low funding baseline compared to neighbouring boroughs and nationally, the budget uplifts have not been sufficient to match the acceleration in demand and the increase in the cost of provision.

### **3. Key Issues**

- 3.1 The latest high needs budget monitoring for October 2017 is reporting an in-year overspend of £4.361m. The forecast cumulative deficit – the deficit carried forward from previous years added to the in-year forecast – is £9.997m.

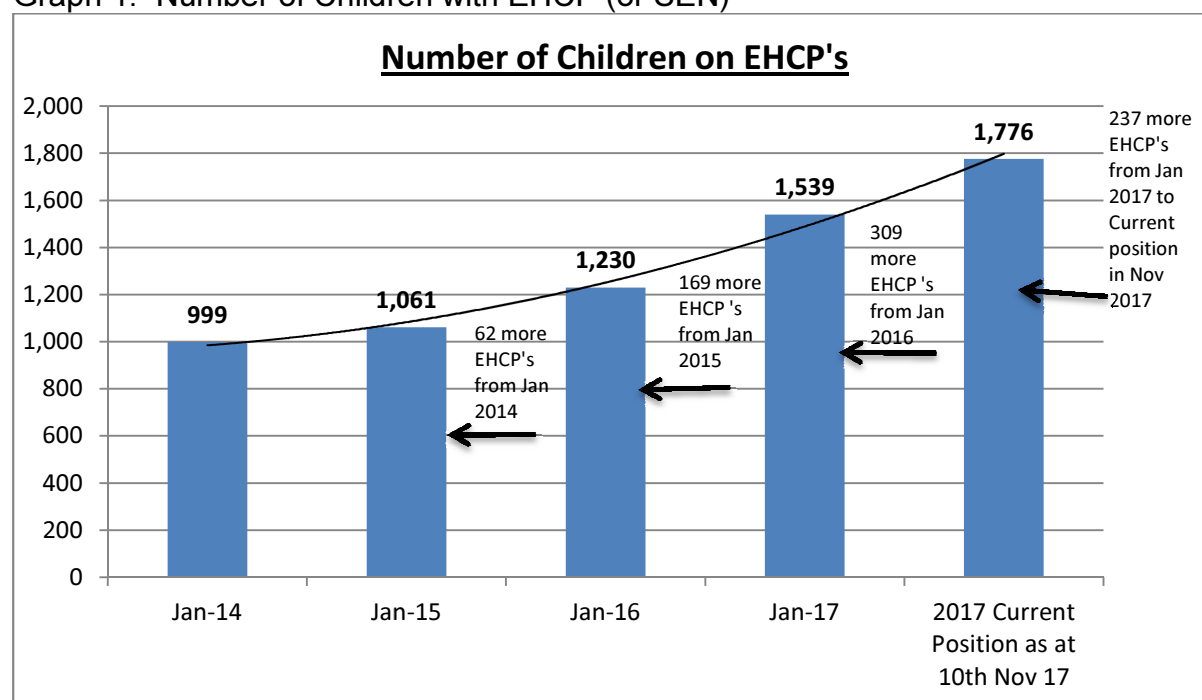
Table 1: Financial Deficit and Rise in EHCPs

Year	In-Year Deficit (£m)	Cumulative Deficit (£m)	No. of EHCP or SEN	Rise in EHCP from previous year
2015/16	1.005	1.005	1,230	169
2016/17	4.631	5.636	1,539	309
2017/18*	4.361	9.997	1,776	237

\*End Oct-17 full year expenditure forecast (year to date EHCPs)

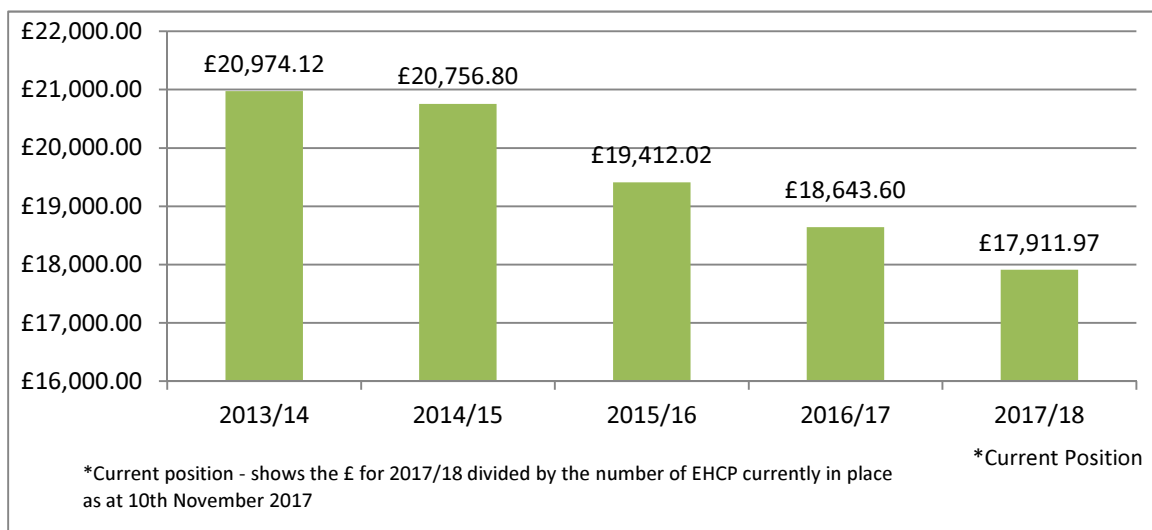
- 3.3 The number of EHCPs (or SEN) in Rotherham is currently 1,776 as of 10<sup>th</sup> November 2017. A deficit on the high needs budget has been evident for the last three years in spite of increases to the annual allocation. Over the same period, the number of children and young people with EHCPs or SEN Statements has dramatically increased. The high needs budget has increased, through annual uplifts and transfers of funding from the Schools Block, however this has not been sufficient to keep up with demand for specialist and bespoke education places.

Graph 1: Number of Children with EHCP (or SEN)

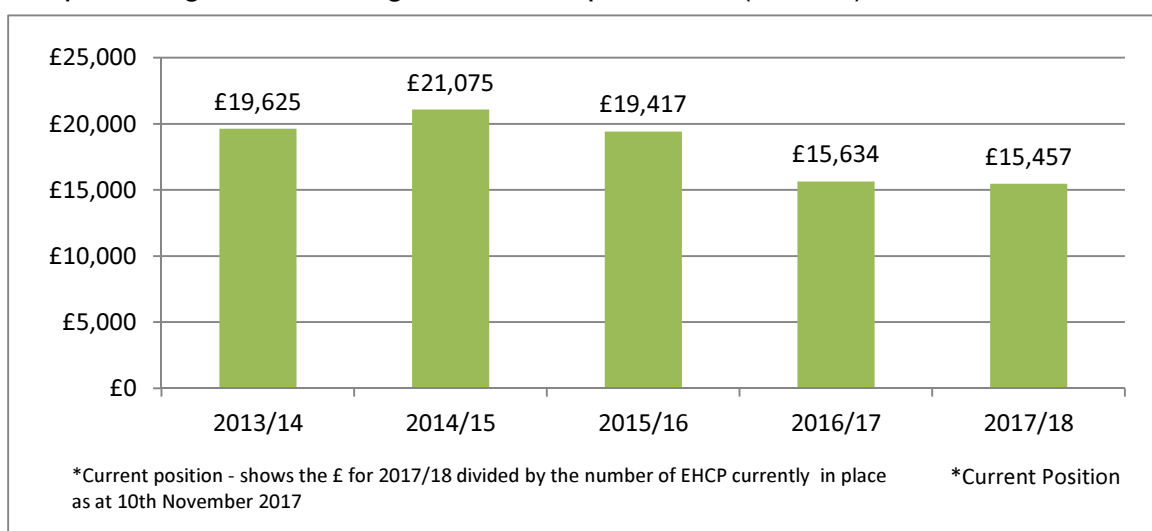


- 3.4 Expenditure has risen, but at a slower rate than demand. As a result there has been a reduction in average spend per EHCP. The graphs below show the reduction in spend per plan and the theoretical cost limit per plan based on the budgeted allocation per year.

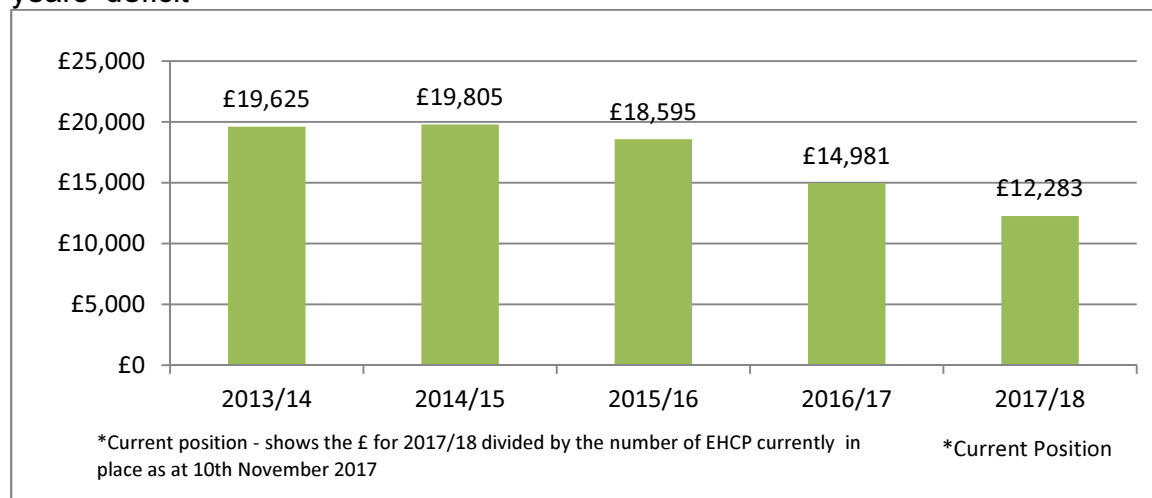
**Graph 2: High Needs Average Spend per EHCP (or SEN)**



**Graph 3: High Needs Budget Allocation per EHCP (or SEN)**



**Graph 4: High Needs Budget Allocation per EHCP (or SEN) adjusted for previous years' deficit**



- 3.5 The graphs above show: (i) average spend per plan; (ii) the parameters that would apply if spend was limited to annual allocations – budget per plan; and (iii) annual allocations less previous years deficits – adjusted budget per plan. The challenge of operating within the existing financial envelope is clear and currently unachievable.
- 3.6 The immediate aim needs to be for a re-basing of the high needs budget and the implementation of the SEND Sufficiency Strategy – Cabinet paper in September 2017 – to reduce the average cost per plan to a level that is sustainable over the long term.
- 3.7 The council has met demand for SEND placements via the commissioning of places not just in mainstream but in special schools, sixth form provision, alternative provision and independent specialist provision. An increase in pupils needing special school provision and specialist provision in other settings has also led to increase costs. Insufficient places in specialist provision remains an issue in the borough. This has been mitigated to a degree with 135 new special school places being utilised compared to January 2015 and will be further addressed through the implementation of the SEND Sufficiency Report to Cabinet in September 2017 and the creation of a further 125 places.
- 3.8 The table below shows the educational setting for children and young people with education and health care plans and where there are increases (and pressures) in terms of placements.

Table 2: Education Placement Mix – January 2015 to November 2017

	Number of EHCP/SEN Jan-15	EHCPs across settings Jan-15	Number of EHCP/SEN Nov-17	EHCPs across settings Nov-17
Total	1,061		1,776	
Rotherham Mainstream Education	433	40.8%	533	30.0%
Rotherham Special Schools	535	50.4%	670	37.7%
Rotherham - Pupil Referral Units	17	1.6%	49	2.8%
Out of Authority Provision	68	6.4%	142	8.0%
Rotherham Other Provision (P-16 & EOTAS)	8	0.8%	382	21.5%

	EHCP Growth Jan-15 to Nov-17	EHCP growth across Settings %	Percentage of additional EHCP places compared to Jan-15
Total	715		
Rotherham Mainstream Education	100	14.0%	23.1%
Rotherham Special Schools	135	18.9%	25.2%
Rotherham Pupil Referral Units	32	4.5%	188.2%
Out of Authority Provision	74	10.3%	108.8%
Rotherham Other Provision (P-16 & EOTAS)	374	52.3%	4675.0%

- 3.9 In table 2 the areas of cost pressure are clear. All settings have experienced increased demand since 2015. Use of out of authority places has more than doubled. This has had the most significant impact on the high needs budget as shown in table 3.

Table 3: Spend on out of authority placements

Year	OoA Spend £m	Increase £m
2015/16	5.397	
2016/17	7.426	2.029
2017/18	8.313	0.887

- 3.10 The strategy over the coming years needs to focus on transferring reliance from out of authority provision to in borough. In doing so the average saving per place would be £35,000.
- 3.11 The number of children placed out of the authority is 160 (November 2017). It will not be appropriate to move some of the children and young people who are in settled placements that are working well and producing good outcomes. However for some children and their families a move to an educational placement in Rotherham would be preferable. If 25% children currently educated outside of Rotherham in higher cost settings were brought into Rotherham provision the average full year saving per place would be £35,000.
- 3.12 The High Needs Fair Funding Formula indicative allocation for Rotherham is due to increase compared to the 2017/18 level, rising to approximately £30.3m by 2019/20. Based on current spending levels of £31.9m (2017/18 forecast) this would still be £1.6m short of the cash limit required to fund current levels of education provision for children with identified special educational needs and disabilities.

#### **4. Options considered and recommended proposal**

- 4.1 Option 1: Do nothing – this is not a realistic option given the existing growing pressures on the budget and predicted continued growth in demand.
- 4.2 Option 2: To implement the SEND Sufficiency Strategy and earmark approximately 40 children and young people to place back in Rotherham rather than in out of authority provision. This would save in the region of £1.4m per annum. This could, with a stretch target applied, eradicate the predicted future budget gap. It would not deal with the existing, and future – through to the end of 2018/19 – cumulative deficit.
- 4.3 Option 3: As per option 2 with an additional proposal to fund the cumulative deficit by transferring funding from the Schools Block of the DSG. If this option was to be explored further there are various methods regarding the amount that could be transferred and the timeframe (number of years) it would need to be applied for in order to clear the historic deficit.

#### **5. Consultation**

- 5.1 Schools Forum – 24<sup>th</sup> November and joint High Needs and Finance Sub-Group scheduled for 29<sup>th</sup> November.

## **6. Timetable for Decision Making**

- 6.1 A disapplication request to the Department of Education regarding the transfer of more than 0.5% of the schools block of the DSG to the high needs block – 30<sup>th</sup> November 2017 and 19<sup>th</sup> January 2018.

## **7. Financial and Procurement Implications**

- 7.1 The financial implications are contained with sections 3 and 4.