

Public Report
Overview and Scrutiny Management Board

Committee Name and Date of Committee Meeting

Overview and Scrutiny Management Board – 17 July 2019

Report Title

High Needs Block Update and Recovery Plan

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

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Report Author(s)

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Ward(s) Affected

Borough-Wide

Report Summary

This report builds upon previous reports to OSMB setting out the position in terms of high needs provision and presents the proposals for the High Needs Recovery Plan.

Recommendations

1. That members note the proposals set out for the High Needs Recovery Plan.
2. That OSMB note the financial model within the High Needs Recovery Plan.
3. To inform OSMB of the arrangements for the management of the Dedicated Schools Grant deficit.

List of Appendices Included

None

Background Papers

DfE DSG Deficit Recovery Plan Guidance; SEMH Strategy Paper (Cabinet February 2018) & Special Educational Needs and Disabilities (SEND) Sufficiency Strategy (Cabinet May 2019)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Council Approval Required

No

Exempt from the Press and Public

No

Children's Services Financial Monitoring and Review 2018/19

1. Background

1.1 Nationally there are growing concerns about the level of funding within the High Needs Block;

- The Association of Directors of Children's Services (ADCS) undertook a survey of financial pressures and reported that of 85 local authorities in 2016/17 only 17 reported their spend was in line with the grant and that the remaining 68 authorities had an aggregated overspend of £139.5m.
- Overspends are being reported in most Council's. At a recent regional finance officers network meeting all authorities were reporting current and estimated future high needs overspends and an expectation of reserves being fully utilised within the 2018/19 financial year.

1.2 The National Association of Headteachers (NAHT) reports;

- A shift of 5% of pupils from mainstream to specialist provision between 2010 and 2017.
- Curriculum reform is stated to be posing significant challenges to pupils with SEND.
- An increase of 17% in SEND pupils attending independent schools between 2010 and 2017
- An increase of 46% in the number of pupils educated in alternative provision or Pupil Referral Units (PRU) between 2013/14 and 2017.
- An increase of 151% in pupils being home educated or educated outside a school setting
- A 27% increase in appeals to SEND Tribunals between 2015/16 and 2017/18, with an 81% increase in the number heard. Almost 80% of the outcome of the appeals were in favour of the appellant

2. Key Issues

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) 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 have their educational needs delivered. Funding for specialist education provision is provided from the High Needs Budget – part of the Dedicated Schools Grant (DSG).

- 2.3 Rotherham is a relatively low funded authority and has seen significant pressures on the High Needs Block for many years. 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 increase in the cost of provision.
- 2.4 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 were £1.004m; in 2016/17 it was £4.632m in 2017/18 it was £5.098m and in 2018/19 it was £5.097m which has contributed to a net deficit in the DSG Central Reserve of £15.1m.

High Needs Block Outturn

- 2.5 The High Needs Block allocation (HNB) 2018/19 was £31.167m and has been under significant pressure for a number of years due to rising numbers of children supported in specialist provision and the rising costs of Education Health Care plans.

The outturn at the end of March 2019 is an in-year overspend of £5.1m (see table below for details)

High Needs Budget Monitoring Outturn as at March 2019			
	Budget	Outturn	Variance
Special Schools	13,008,458	13,191,042	182,584
Primary Schools	172,990	172,990	0
Secondary Schools	317,213	293,052	-24,161
Top Up Funding	3,683,243	4,779,604	1,096,361
Alternative Provision	4,380,556	4,532,930	152,374
External Residential	1,744,054	2,812,683	1,068,629
Independent Sector Providers	3,950,637	5,859,633	1,908,996
Other LA places	340,636	1,019,438	678,802
Inclusion Services	2,128,650	2,000,465	-128,185
Other Education Services	367,290	529,232	161,942
CCP & FE Places	1,073,499	1,073,499	0
Total	31,167,226	36,264,568	5,097,342

- 2.6 The projected over spend is as a result of a number of factors; an increase in Education Health and Care Plans, increase in the number of post 16 young people with an EHCP who are now the responsibility of the LA to fund, potentially up until age 25 and an increase in the number of children accessing higher cost provision.
- 2.7 The overspend reflects system wide issues in how the funding is determined. Whilst the allocation moved to a formulaic basis in 2018/19 and now includes proxy indicators of SEND within the population a large element of the grant remains fixed on historic spend.

Key issues resulting in overspending:

2.8 High needs places for 2018/19

- a. £7.663m was budgeted to be spent on high needs places across the special schools and PRU's (excluding sixth form places). During 2018/19 additional place based funding totalling £555k was awarded due to individual settings breaching their commissioned place number.
- b. It should also be noted that the local authority has been required to pay additional place based funding to external providers where Rotherham children & young people have been placed in excess of the providers commissioned place number. Such instances were assessed on a case by case basis involving officers from Finance and Inclusion & Assessment Service.

2.9 EHCP Growth

Over the last four years the number of Education Health and Care Plans (EHCPs) has risen significantly and in particular the number of post 16 EHCPs.

	2016	2017	2018	2019	2020	2021
Total EHCP's (Year End)	1,253	1,572	1,831	2,076	2,373	2,664
Of which EHCP's Post 16	283	584	682	695	869	999

2.10 High Needs Block Financial Performance

- a. In Rotherham the Schools Budget, which includes the High Needs Block is set at zero i.e. expenditure is set at the level of grant received. The high needs block has been under financial pressure in recent years and moved from an overspend of £1.35m in 2013/14 to an overspend of £5.1m in 2018/19

- b. Up until 2015/16 overspends have met from funding held in the Dedicated Schools Grant Reserve, this is now fully expended and with no funding in addition to the grant, it is necessary to realign expenditure to the resources available.

Year Over / (Under) Spend	£m
2013/14	1.348
2014/15	1.010
2015/16	1.005
2016/17	4.632
2017/18	5.098
2018/19	5.097

- c. The financial performance of the high needs block is impacted by both the level of grant and the level of expenditure. The High Needs NFF allocates funding against a basket of national indicators chosen because their correlation to the incidence of SEND in the population.

2.11 SEN Provision (current and projected use based on current use)

- a. Based upon current projections, with further transfers between the schools and high needs blocks, assuming a cash flat DSG settlement, an increase in EHC numbers (28%) and the continuation of current provision use, the expected financial position to 2021/22 is a cumulative £31.5m deficit.
- b. In addition to this SEN transport overspent by £990k in 2018-19 and is expected to overspend this year by £1.2m (as at May 2019). The budget for this sits outside the CYPs budget and is managed with in the Regeneration & Environment and Transport Department.

EHCP - Provision forecasting in line with Rotherham's 0-25 population projection changes

	Rotherham Provision								Out of Area Provision								No Provision/ No Setting recorded	Overall Totals
	Rotherham Schools / Academy	Maintained PRUs	Other - Parent Arranged (DfEE)	Other - LEA Arranged (DfEE)	Special School Provision In Rotherham	Post 16+ provision / FE in Rotherham	Reg Early Years Setting in Rotherham	Rotherham Provision Totals	Special School / Provision OOA	PRU OOA	Hospital School OOA	Schools and Independent Schools OOA	Other - LEA Arranged (DfEE) OOA	Other - Parent Arranged (DfEE) OOA	Post 16+ provision / FE OOA	Out of Area Provision Totals		
2015	415	14	4		527			960	68	1	1	11	1	1		83	60	1103
2016	420	24	5	8	551	83	2	1093	72	1		14		1	17	105	55	1253
2017	439	25	9	3	586	264	4	1330	90			24			63	177	65	1757
2018	529	61	7	7	643	302	2	1551	109		2	25			88	224	57	1832
2019	583	115	16		678	392	2	1784	109			20			108	236	36	2056
2020	611	120	16		715	502	2	1965	124		2	27			143	297	40	2303
2021	657	143	18		757	597	2	2174	136		3	30			172	341	36	2551
2022	703	165	21		799	692	1	2381	148		3	33			201	384	32	2799
2023	749	188	23		842	785	1	2588	159		3	36			229	428	28	3045
2024	796	211	25		886	879	1	2799	171		4	38			258	471	25	3296
2025	844	234	28		930	974	1	3012	183			41			287	512	21	3545
2026	892	257	30		975	1069	1	3225	195			44			316	555	17	3798
2027	942	280	33		1022	1165	1	3442	208			47			345	600	14	4057
2028	992	304	35		1069	1262		3661	220			50			375	645	10	4317

Current Provision Overview

2.12 Rotherham currently has a range of high quality provision for children with special educational needs and disabilities:

- Mainstream Primary and Secondary Schools: All mainstream schools provide a 'core' offer of support and to include children with additional needs.
- Rotherham Special Schools: There are six area special schools in Rotherham. They support pupils with significant learning difficulties and other complex needs from age 2 or 3 up to 19. Our Special Schools also have sixth form provision for pupils aged 11 to 19 years.
- Units and Resource Bases: There is a variety of resource base provision across the Borough in mainstream schools. These include primary and secondary provision and include bases for Speech and Language, Autism, Moderate Learning Difficulties and Hearing Impairments
- Post 16: The local FE Colleges and Independent Specialist providers have developed their curriculum offer to meet the needs of SEND learners.

2.13 Revenue Budget Projections

2.14 Modelling shows that through the expansion of provision and the development of new provision it is possible to reduce the high needs overspend and in time, result in expenditure being brought into line with the grant.

2.15 The longer term picture is not positive, on introduction the DfE stated that the formula would be reviewed in four years, currently the intentions for transition to the full formula are unknown. In moving to full formula two elements of the formula – historic spend and funding floor – give rise for concern. Historic spend equates to 42% of the 2019/20 formula (£12.8m) meaning that under half of the formula is unresponsive to changes in population needs and remains based on levels of spend from 2013/14 and pre SEND reform.

2.16 The following table sets out the revenue plan which sets out expectations on future high needs DSG, expenditure, potential savings and the cost of delivering the project.

High Needs Forecast	2019-20	2020-21	
	£000	£000	
High Needs DSG	-31,440	-32,446	Note 1
Funding from Schools Block	-2,853	-2,853	Note 2
TOTAL FUNDING	-34,293	-35,299	
Estimated Expenditure	37,415	39,367	
Total Potential Savings	-1,554	-3,342	
Revised Expenditure	35,861	36,025	

Annual Funding Gap	1,568	726
CUMULATIVE FUNDING GAP - DSG REPORTED DEFICIT	16,682	17,408

Note 1 - Assuming funding increase relating to funding factors

Note 2 Assumed block redirection will continue

Dependent on matching individual education need to the timing and the cost of new provision.

2.17 There are a number of financial risks associated with the proposed recovery plan that will be carefully monitored throughout its delivery;

- The plan is based upon the difference in the average unit costs of types of provision, it should be anticipated that actual savings will differ.
- Whilst additional places will be developed for Rotherham pupils, conditions for the use of Dedicated Schools Grant do not allow for places to be specifically reserved for Rotherham pupils. It will be essential that the delivery of additional places matches pupil needs to reduce the risk of unfilled places being commissioned by other local authorities.
- The plan is dependent in moving pupils to lower cost placements able to continue to meet their needs. There is a risk that an insufficient number of pupils will be able or willing to move provision.

2.18 Rotherham has transferred funding from the schools to the high needs block in 2018/19 at 0.5% and in 2019/20 it was 1.5% based on the level of the DSG deficit and financial pressures this transfer may need to continue in the short term.

3. Options considered and recommended proposal

3.1 In order to reduce the overspend on the High Needs Block a recovery plan has been developed with a set of focused activities:

- Provide additional resource units and other local provision
- Utilise all existing placements in the borough
- Review Inclusion Services offer and staffing to better meet the strategic priorities around sufficiency and inclusion.
- Review other LA placements
- Review of external placements
- Review Top Up arrangements
- Review funding arrangement for additional places
- Strengthen parent and carer understanding of the local provision offer particularly in the early stages of the Education, Health and Care Plan process to reduce out of authority parental preference.
- To continue to work with schools to maintain pupils in mainstream settings wherever possible.

Developing and Expanding Provision

- 3.2 Over the next four year a provisional plan has been developed that will significantly grow Rotherham's SEN provision:

Provision	September 2018	September 2019	September 2020	September 2021	Total Places
Resource Units		10 Secondary ASC	20 Primary ASC 10 Primary MLD 15 Secondary SEMH 15 Secondary ASD		70
Special Schools	10 SLD 20 Complex Needs 10 Early Years Transition Places	10 MLD	10 Complex Needs		60
Pupil Referral Units	10 Primary ASC 15 High Level SEMH Therapeutic	15 High Level SEN Therapeutic			40
Total Places	65	35	70		170

* 5 complex needs commissioned places from September 2019

* New provision Post 19 – 25 places from September 2019

Capital Requirement

- 3.3 The high needs recovery plan is dependent upon a capital investment to develop additional local VFM provision through the expansion of special schools, development of resource units and additional PRU places.
- 3.4 Funding has been allocated in the capital programme to deliver the schemes and includes a specific grant for SEN provision which was received in 2018/19, this was £0.5m over three years but subsequently increased to £0.848m.
- 3.5 To date 65 additional places have been created, with a further 105 planned, per the table above.

Deficit Management

- 3.6 The deficit will be managed but not funded by RMBC.
- 3.7 The 2019/20 Operational Guidance issued by the DfE sets out a requirement to report annually to the DfE to bring DSG expenditure in line with the grant where a DSG deficit exceeds 1% and includes the requirement to discuss this with the Schools Forum .
- 3.8 The DfE have recently issues guidance on completion of the DSG Deficit Recovery Plan (to be completed by 30 June 2019) which includes:

- The budget pressures encountered including changes in demand for special provision, how the demand has been met and if there have been any reductions in the provision for mainstream pupils with high needs.
- The local factors that have caused an increase in high needs costs to exceed the level of grant, and plans to change the pattern of provision and evidence of the extent to which the plan is supported by schools and other stakeholders.
- A detailed recovery plan to bring its DSG reserve back into balance within three years.
- If the deficit cannot be recovered within three years why and how it can contain in year expenditure within the grant within three years.
- Previous movements between blocks and why they have not been adequate to counter new cost pressures.
- Assumptions on assumed future transfers between blocks of the DSG, if permitted in future years, and evidence of support from the Schools Forum and wider school community

3.9 After submission of the DSG Deficit Recovery Plan by local authorities the ESFA will review each local authorities plan between July to September and engage with local authorities.

3.10 Plans will be reviewed against a checklist of criteria regularly to ensure authorities are on track to bring deficits back into balance. Where an authority is unable to reduce their deficits in line with their approved plan, we will contact them to provide further support. The recovery plan will be a continuation of any disapplication block movement requests, as evidence will need to be provided to demonstrate how the block transfer has impacted spend.

3.11 ESFA confirm the outcome from review of the plan.

4. Consultation on proposal

4.1 The DSG Deficit recovery plan has been approved by School Forum, CYPS DLT and the section 151 Officer as part of the submission requirements to the Department for Education.

5. Timetable and Accountability for Implementing this Decision

5.1 The DSG Deficit Recovery plan is a 3 year financial recovery plan with the purpose of the DSG High Needs Block operating within the annual allocation at the end of the 3 year period.

6. Implications for Partners

- 6.1 The DSG deficit recovery plan has been completed in partnership with the School Forum. The successful implementation of the recovery plan relies on the support of schools and academies within the borough.

7. Risks and Mitigation

- 7.1 The recovery plan is based on an estimated growth in Education Health Care plans and development of new provision within the borough as outlined in the SEMH and SEND Sufficiency strategies. There is a risk that EHC growth may change or level of needs which will therefore impact on the achievability of the plan,

8. Accountable Officer(s)

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