

Public Report
Overview and Scrutiny Management Board

Committee Name and Date of Committee Meeting

Overview and Scrutiny Management Board – 29 January 2020

Report Title

Update on the High Needs Block

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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Ward(s) Affected

Borough Wide

Report Summary

This paper summarises the increase in the number of Education and Health Care Plans, the growth in demand for specialist provision and the financial position in 2019/20 of the High Needs Block of the Dedicated Schools Grant (DSG) and the revised cumulative deficit. The recent growth in volume through increased demand for special educational places and the impact on cost is outlined and compared against previous years.

The High Needs Block Recovery Plan aims to bring in-year expenditure in line with the annual budget allocation and focus on a longer term plan which will contribute to reducing the cumulative deficit.

Recommendations

OSMB is asked to:

1. Note the growth in Education Health and Care Plans in Rotherham and the increased demand for specialist education provision.
2. Note the financial model proposed in the High Needs Block Deficit Recovery Plan.
3. Note the arrangements for the management of the Dedicated Schools Grant deficit.
4. Note the recent Education and Skills Funding Agency Consultation on changes to the conditions of the DSG Grant.

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

No

Council Approval Required

No

Exempt from the Press and Public

No

Update on the High Needs Block

1. Background

- 1.1 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.
- 1.2 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 met. Funding for specialist education provision is provided from the High Needs Budget – part of the Dedicated Schools Grant (DSG).
- 1.3 The Dedicated Schools Grant is a ring-fenced grant from the Department for Education (DfE) to fund education provision. It is made up of four funding blocks:
 - Schools – Individual mainstream schools and academies.
 - High Needs – funding for the education of pupils with an identified Special Educational Need (SEN) and normally subject to an Education, Health and Care Plan (EHCP). The funding is for pupils from ages 0-25 in a range of provision including special schools, mainstream schools, alternative provision and independent specialist provision. It also contributes to council expenditure for Inclusion services.
 - Early Years – Two year old funding; Early Years Funding in schools and private, voluntary and independent provision (PVI); and local authority retained expenditure for under five year olds.
 - Central School Services – funding for retained duties and on-going responsibilities (former ESG, central licences managed by the Education and Skills Funding Agency (ESFA), admissions)
- 1.4 Schools, Early Years Services and Central School Services are delivered within their respective funding block allocation. The High Needs Block in Rotherham is overspending. This position is consistent with the majority of local authorities.
- 1.5 Rotherham is a relatively low funded authority and has seen significant pressures on the High Needs Block for many years. The funding for this block has historically been at less than 10% of the overall DSG. 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.
- 1.6 During 2017/18 the ESFA required local authorities to undertake a historic spend data DSG block realignment exercise. The High Needs block was realigned after taking account of a £2.9 million transfer from the Schools block

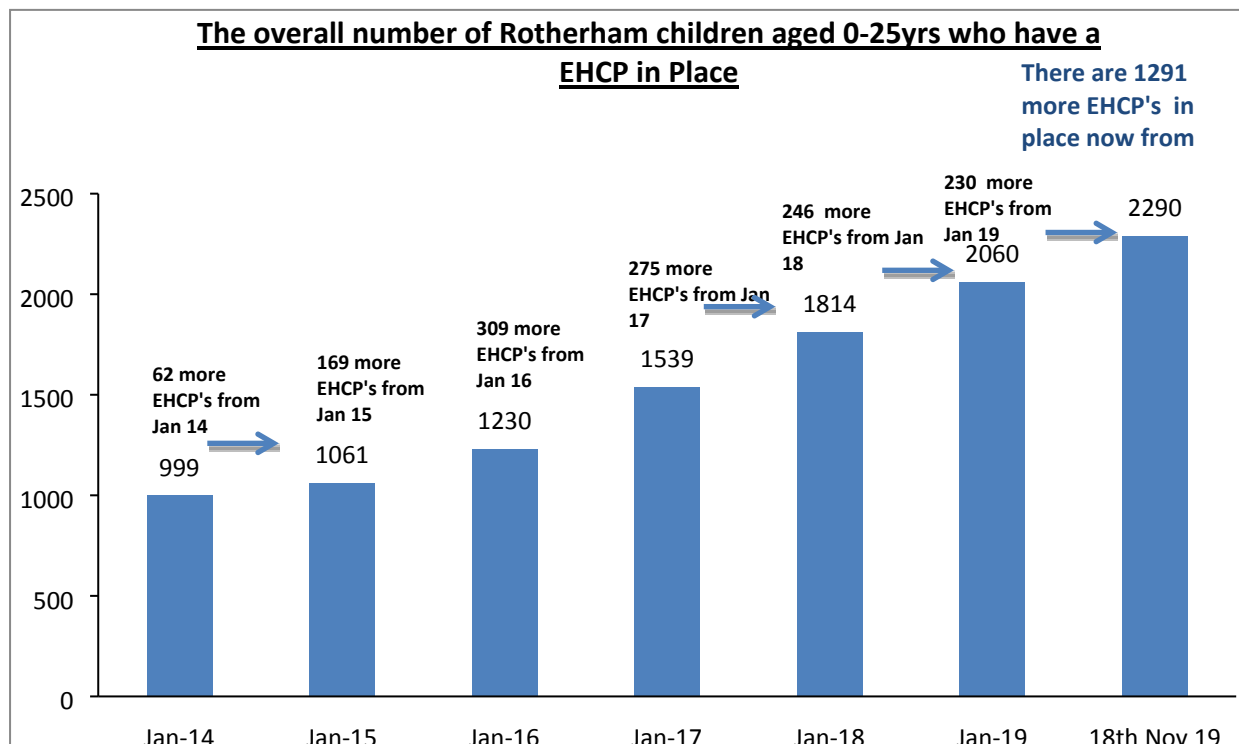
in 2016/17 and an additional £3 million transfer in 2017/18. Prior to this exercise Rotherham consistently had a lower High Needs allocation than its statistical neighbours and the transfers helped limit the impact of rising costs associated with the increasing demand for SEND provision in the borough.

- 1.7 Rotherham's Alternative Provision settings have developed expertise in meeting the needs of children with social, emotional and mental health needs. Some children are now placed at Aspire and Rowan because this setting is named in their EHCP as the best option to meet need. 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, but in the last three financial years the annual HNB deficit has been £5m, leading to a HNB deficit of £15.8m and overall DSG deficit of £15.1m
- 1.8 Over the same three year period the number of children and young people with EHCPs and their predecessor. Statement of Special Educational Need (SEN) has grown. The SEN code of practice, published in January 2014 required all local authorities to convert statements of SEN to an EHCP. In 2015/16 (Jan-16) the number of EHCP/SEN was 1,230 and in November 2019 this stands at 2,290.
- 1.9 In addition to providing education provision for children with SEND the High Needs Block also funds Alternative Provision (Pupil Referral Units) for those pupils that have been permanently excluded from schools and academies or some on roll at AP to meet their SEMH needs. The number of pupils in Alternative provision has increased from 146 in January 15 to 199 in October 2019.

2. Key Issues

- 2.1 The number of EHCPs in Rotherham is 2,290 as at the 18th November 2019. A significant 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 has dramatically increased.
- 2.2 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, see the graph below which identifies the year on year increase in EHC plans.

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



2.3 There has been a continued significant increase in the number of children with SEND who require High Needs support due to:

- The extension of support to young people up to the age of 25 (previously up to age 19) for which local authorities have received no additional funding.
- The needs of children with special educational needs and/or disabilities are becoming more complex and this is driving increased financial pressures across the system.
- Rotherham's special schools provide high quality provision and parental demand is high, where demand outstrips the number of places parents are requesting that the local authority provides a place with an independent provider. There is a shortage of local specialist educational provision to meet need, particularly in relation to ASD and SEMH, and this is resulting in increased specialist placements with independent providers, some of which are located outside of the local area.
- The additional support identified in an EHCP is provided through the payments of top-ups. These requests are increasing.

2.4 The DfE have provided information for 2010 - 2018 and this shows growth in EHCPs across most age groups, however in terms of provision the number of EHCPs in mainstream education has remained constant whilst there is significant growth in special schools, independent providers and further education.

2.4 The demand in Rotherham is attributed to combination of those factors evidenced through the ADCS survey. Rotherham's High Needs budget allocation had gone up, but at a much slower rate than demand. If spend per child were capped to achieve a balanced budget there would be a risk that we

were not performing our statutory duties to meet the needs of children and support them to achieve positive outcomes. Where parents feel that the local area has not responded to assessed need appropriately this can be escalated through a tribunal process, incurring additional costs.

- 2.6 In addition, local areas are inspected to assess how effective the system is in meeting the needs of children with SEMH and adhering to the code of practice. Rotherham's SEND inspection remains pending.
- 2.7 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 September 2019

	Number of EHCP/SEN Jan-15	EHCPs across settings Jan-15	Number of EHCP/SEN Sept 2019
Total	1,061		2,235
Rotherham Mainstream Education	433	40.80%	615
Rotherham Special Schools	535	50.40%	731
Rotherham - Pupil Referral Units	17	1.60%	107
Out of Authority Provision	68	6.40%	330
Rotherham Other Provision (P-16 & EOTAS)	8	0.80%	452
	EHCP Growth	EHCP growth across	Percentage of additional EHCP places compared to Jan-15
	Jan-15 to Sep-19	Settings %	
Total	1,174		
Rotherham Mainstream Education	182	15.50%	42.03%
Rotherham Special Schools	196	16.70%	36.63%
Rotherham Pupil Referral Units	90	7.67%	529.41%
Out of Authority Provision	262	22.32%	385.29%
Rotherham Other Provision (P-16 & EOTAS)	444	37.82%	5,550.00%

- 2.8 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 tripled.

3. Current High Needs Block Projection

3.1 The 2019/20 High Needs Block (HNB) is £34.5m (including the £2.8m transfer from the schools block) and remains under significant pressure due to rising numbers of children supported in specialist provision, the rising costs of Education Health Care (EHC) plans and growth in numbers accessing Alternative Provision.

3.2 The forecast at the end of October 2019 shows an in-year pressure of £3.3m, an increase of £867k on the previous period. The projections are based on the DSG recovery plan assumptions and includes increases on AP places, anticipated growth on EHC numbers and the implementation of new developments linked to the SEND Sufficiency Strategy, see table below for details:

Provision Type	Original Budget 2019-20	Budgeted Place Numbers April - August 2019	Budgeted Place Numbers September - March 2020	Revised Budget 2019-20	Forecast Outturn 2019-20	Forecast Variance 2019-20	Forecast Previous Period	Movement in Period
Special Schools	13,526,593	675	681	14,237,728	14,304,553	66,825	14,304,553	0
Primary Schools	126,990	15	15	92,629	92,629	0	92,629	0
Secondary Schools	194,719	20	15	194,719	194,719	0	194,719	0
Top-Up Funding	5,712,280	1,299	1,292	5,001,145	5,200,372	199,227	5,217,670	-17,298
Alternative Provision	4,238,806	198	198	4,617,666	5,228,988	611,322	4,724,464	504,524
External Residential	1,980,227	41	40	2,103,907	3,165,830	1,061,923	3,165,830	0
Independent Service Providers	4,585,374	155	132	4,435,481	5,710,354	1,274,873	5,358,782	351,572
Inclusion Services	2,333,618	0	0	2,209,938	2,273,718	63,780	2,282,751	-9,033
Other Education Services	469,150	24	24	446,543	459,798	13,255	422,264	37,534
CPP & FE Places	1,126,000	362	380	1,134,000	1,134,000	0	1,134,000	0
TOTAL	34,293,757	2,789	2,777	34,473,757	37,764,962	3,291,205	36,897,662	867,300

3.3 Whilst the main overspends compared to budgets are linked to alternative provision, high cost external residential and ISP placements £2.9m this is due to the requirement to delegate funding to special schools, pupil referral units and top-ups.

3.4 In line with DfE requirements, a deficit recovery plan was submitted to the Department of Education in July 2019. They have reviewed the recovery plan and will be arranging a joint visit in February with representation from the department's funding and Special Education Needs teams to support the LA in developing our recovery plan further.

4. Adherence to the High Needs Block Recovery Plan

4.1 The aim of the DSG Deficit Recovery plan was to reduce the annual pressures on the High Needs Block and move Rotherham to a position where we are operating within our annual HNB allocation within the next three years. The estimated annual pressures in the plan are;

2019/20	£1.387m
2020/21	£692k
2021/22	£380k

- 4.2 The Deficit Recovery plan has several assumptions see paper 6a which includes the continued DSG School Block redirection at 1.5%, the impact of the SEND sufficiency strategy, new provision coming on line, etc. As part of the recovery plan a placement profile was created to monitor the progress of various initiatives and the effect any variances to the plan would have on budgets.
- 4.3 As outlined in section 4.2 the current estimated pressures on the HNB are £3.291m and the variances to the DSG Deficit Recovery £1.387m are highlighted in the table below, with further explanation in the following paragraphs:

Area	Variance to Plan
Social Care Placements	275,945
Education Residential	-58,008
ISP	430,904
Post 16 ISP	-81,587
Post 16	182,439
PRU	682,100
EOTAS	165,413
Other LA Places	155,422
Resource Units	-34,356
Special Schools	35,163
Other	150,203
Total	1,903,638

- 4.4 Social care residential placement numbers and unit costs are currently higher than those in the plan. Place numbers are higher by 7 with a unit cost £15k over those budgeted. Work is ongoing to review Looked After Children plans to ensure each child is in the right setting. Delays in the opening of Rainbows Corner, which would see the opportunity to return to Rotherham, up to 5 five young people in social care residential provision has also impacted on these cost pressures.
- 4.5 The Independent Specialist Provider (ISP) sector for under 16s has seen placement numbers and costs above those in the budget profile. Numbers are currently 20 above plan with unit costs £5k higher. However, progress has been made on the number of students in expensive post 16 ISP placements this is below plan by 3 with costs being on average £2k lower per placement. This suggest that phase one of the SEND sufficiency strategy was effective in creating sixth form places at Willows and supporting the Rotherham Opportunities College to open.
- 4.6 Post 16 contracts with Morthing are above plan both in terms of students and unit cost the Really NEET project is currently above numbers planned but with a unit cost below plan. ROC placements are meeting the plan both in terms of numbers and costs. The CYPS commission team are working with providers to seek to negotiate more cost effective rates. However, Morthing and Really NEET both offer more cost effective arrangements than some out of area provision.

- 4.7 The cost of Pupil Referral Unit (PRU) placements has put a pressure on the High Needs DSG budget of £682k. This mainly due to the need for additional budget for Primary Outreach £204k and additional funding for commissioned Places £585k.
- 4.8 Other variances against plan include Education Other Than at School (EOTAS) support packages £165k over against the recovery plan and other LA placements £155k over.
- 4.9 The recovery plan also reflects the SEND Strategy and opening of local provision with 125 places in phase 1 of which 90 have now been delivered which are positively impacting on the High Needs Block. Phase 2 projects are also now being progressed with the intention of creating 111 additional local places from September 2019 onwards.

5. Next Steps

- 5.1 The key areas we need to continue to focus on to reduce the current High Needs Block pressures are:
- 5.1.1 The SEND Sufficiency Strategy will create new places for children with SEN needs within Rotherham schools. The new places will avoid continued growth in the use of places in high cost, independent provision outside the borough. There may also be opportunities, through the process to review each child's EHCP annually, to identify where children who are currently out of borough may have their needs made locally; this is most likely to apply when children are at key transition points.
- 5.1.2 Phase two of the SEN Sufficiency Strategy is to create additional SEN places linked to mainstream schools and academies. The implementation phase of this strategy will seek to achieve value for money for each of these school places.
- 5.1.3 There is currently pressure on the High Needs Budget due to the number of children who are permanently excluded from mainstream school and accessing specialist provision at a Pupil Referral Unit. A review of these arrangements will support joint work with schools to implement the Social, Emotional and Mental Health Strategy and reduce the number of permanent exclusions.
- 5.1.4 The commissioning team will work closely with providers to ensure that contract management arrangements are robust and support the Local Authority to achieve value for money on all placements in high cost provision.
- 5.1.5 A whole system approach, including a review of the local authority's inclusion services, and work with schools as well as parents and carers, will seek to provide support for children with SEN as early as possible, to meet need effectively, and prevent the need for higher cost specialist provision. There is a need to build confidence in the quality of support provided in mainstream schools, and to demonstrate the positive outcomes that children achieve locally; this will support a reduction in the

number of parents who express a preference for independent placements outside the borough.

- A review of high cost, external education provision to reduce cost and move children back into Rotherham educational provision;
- Develop additional SEN provision in Rotherham linked to mainstream schools and academies;
- Review of the exclusions strategy and Alternative Provision
- Work with schools and academies to maintain pupils in mainstream settings wherever possible;
- We are also currently undertaking an in depth review of Independent Sector placement expenditure in partnership with the Commissioning service.
- A review of inclusion services provided by the Council
- Strengthen parent and carer knowledge the offer from available and suitable Rotherham provision in the early stages of the Education, Health and Care Plan process to minimise out of authority parental preference.

5.2 It is important to note that the £3.3m of pressures are currently being dampened by the £2.8m redirection from the Schools Block, and if this had not taken place the pressure would be £6.1m.

5.3 As colleagues may be aware Rotherham are due to receive an additional £4.8m in 2020/21 as part of the recent spending announcements, however these additional monies will not be sufficient to enable us to operate within our High Needs Block annual allocation and also work towards reducing the overall DSG reserve deficit. **It is due to these circumstances that we are continuing to request the 1.5% transfer from the Schools Block to the High Needs Block.**

5.4 A recent ESFA Consultation on proposed changes to the conditions of the DSG Grant outlined that local authority must carry forward the whole of the overspend to the schools budget in future years. The local authority may not fund any part of the overspend from its general resources, unless it applies for and receives permission from the Secretary of State to do so. **If these consultation proposals are implemented it will be for the Education sector as a whole to work together to reduce the DSG Deficit pressures and bring the DSG reserve back into balance.**

5.5 The ESFA have now reviewed Rotherham's Deficit Recovery plan and will be arranging a visit in February with representation from the departments Funding and Special Education Needs teams to support the LA in developing our recovery plan further.

6. Consultation on proposal

6.1 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.

7. Timetable and Accountability for Implementing this Decision

- 7.1 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.

8. Implications for Partners

- 8.1 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.

9. Risks and Mitigation

- 9.1 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.

10. Name and contact details

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