

High Needs Block Budget Pressures

Purpose of the Report

This report seeks to:

1. Outline the options available to Schools Forum to address the forecast High Needs Block (HNB) budget shortfall in 2019/20. Currently the projected shortfall for 2018/19 is £2.4 million with a predicted shortfall of £7.1 million (**appendix 1**) for 2019/20

Background

2. In January 2018 a report (**appendix 2**) was considered by the Forum, which highlighted the predicted budget pressures in the high needs block. These pressures were already being felt in the 2017-18 financial year and the report outlined the significant on-going implications for 2018-19 and 2019/20.
3. The report identified a forecast £5.3 million shortfall on the high needs block in 2018/19 and £6.3 million in 2019/20 and recommended that the Forum should agree to transfer 0.5% from the schools' block to the high needs' block to partially address these pressures in 2018/19. This recommendation was agreed by the Forum and £2.3 million was subsequently transferred from the 2018/19 schools block of the DSG.
4. In February 2018 NCC officers presented a further report (**appendix 3**) outlining additional options to reduce the remaining predicted overspend for 2018/19. Schools Forum agreed to option A which included:
 - reduced HLN allocations.
 - combined AFN and FNF budgets with a reduced overall combined budget allocation.
 - reduced allocations to school behaviour and attendance partnerships.
 - delay to the growth of Special Schools.
 - continued reduction to the unit funding to four Special Schools in line with the minimum funding guarantee.
 - a freeze on vacancies in the SFSS.
5. Despite the transfer of 0.5 % and the additional actions taken as outlined in paragraph 4 above, the HN block continues to experience financial pressure, with current projections suggesting significant overspend.

It should be noted that these pressures have occurred despite the introduction of the NFF.

The calculation of both the LA's and individual schools' budgets is a complex process with many variables determining final allocations. The reality simply is that the new funding

formula, from Nottinghamshire's perspective, is not fairer than the formula which pre-dated it.

The average HNB funding per head of the 2-18 year old population is £491, compared with Nottinghamshire's funding per head which is £394. This would suggest that if Nottinghamshire was to be funded at the national average we would receive an additional £15.3 million in the HNB.

NCC and publically funded schools anticipated greater gains from the NFF. However in reality the NFF has continued to build in inequity, since 50% of the budget is still based on historic expenditure and gains have been capped at 3% per year.

The removal of the gains cap would release a further £2.7 million to NCC's High Needs Block. However this would still be insufficient to meet the full cost of demand, even with the 0.5% transfer from the schools budget for the 2019-20 financial year and for the foreseeable future.

Information and Advice

6. The actions taken for 2018/19 to reduce the value of HLN allocations could have created a cost neutral budget for HLN had there been no further increase in numbers requiring this level of support. However, by March 2018 the number of pupils requiring HLN funding had increased by 13.7% (591 pupils compared with 520 in 2016/17). The full year effect of this growth is first being realised in 2018/19. Increasing demand in 2018/19 will be further felt in 2019/20. Based on the increased pressure on this budget to date it is predicted that there will be an increase in pupils accessing HLN from 591 to 648 in 2019/20.
7. The reduction in the combined AFN/FNF allocations has coincided with some families of schools removing their family SENCO role in order to target more funding at individual children. As a result, SENCOs in some schools have not had ready access to local support through the family SENCO and are consequently more reliant on external services.
8. Partnerships are reporting that they are experiencing significant difficulty in meeting the needs of all pupils at risk of exclusion, Fair Access admissions and those with social emotional and mental health needs, given the reduced partnership funding devolved in 2018/19. Partnerships have made staff redundant, closed small group provisions, and reduced the number and type of interventions available to vulnerable students, including access to personalised education packages and access to alternative education provision. The Partnership Team has reported an increase in numbers of both fixed term and permanent exclusions. There were 17 permanent exclusions in the summer term of 2016-2017 which has risen to 24 permanent exclusions in the summer term 2017-2018.
9. As well as the budget reductions discussed above, a number of improvements in relation to SEN Case Work, have been made and more are planned over the coming months in relation to the work of the Integrated Children's Disability Service. It is accepted that the design of the new service did not sufficiently account for the volumes and complexity of work. This is no fault of the service itself. An increase in staffing, an increase in senior practitioner roles, the move towards an end-to-end casework model, digitisation of systems to support co-production and practitioner engagement and better engagement with Family SENCOs are all areas being swiftly developed to address these challenges. The revised Needs

Assessment panel procedures, encouraging schools (or early years settings) and parents to jointly apply for assessments are now embedded and this has increased the percentage of assessments appropriately leading to an Education, Health and Care Plan.

10. In addition, NCC is taking further action in 2018/19 aimed at reducing the continued and increasing pressure on the Independent Non Maintained part of the High Needs Block. NCC has refreshed the process by which placements in the INM / AP sector are formally approved by setting up a 'specialist provision panel, chaired by the Service Director of Commissioning and Resources. The aim is to ensure that each and every placement is an 'option of last resort', that is taken only when there is both clear evidence of need and also that all other options within the graduated response process have been robustly appraised and tested out. This approach provides an appropriate degree of challenge to colleagues within both the local authority and schools. It also requires the support and buy-in of all stakeholders so that we can collectively manage the demand element of the financial pressure on this budget. The impact to date of this includes:
 1. increased scrutiny and accountability related to high cost placements, meaning that some placement decisions have been returned to schools to consider more cost effective provision at a school level.
 2. changes to decisions on Post 16 provision, which have brought the decisions for pupils with an EHCP plan more in line with post 16 provision for all children (at lower cost)
 3. more clarity about which elements should be classified as social care rather than education.
11. There is ongoing work taking place to challenge the level of claims being made by FE colleges for additional support (top up), as well as changes to planning around Post-16 placements. ICDS and the Commissioning team are challenging FE colleges to reduce requests for additional funding to meet needs. As noted in paragraph 9 above, the impact to date of this change has been to better align post 16 provision with corresponding packages for a young person without an EHC Plan.
12. The local authority is continuing to work with providers to establish new commissioning and contracting arrangements where these indicate economic gain. It is intended that this will enable a number of block contracts to be developed for major providers, with whom the Council traditionally commissions a critical mass of places for Nottinghamshire young people. This type of contract provides the increased certainty of guaranteed income for INM settings in return for reserving a given number of school places at an attractive rate for the Council. Such arrangements are well established in the Council's commissioning of children's residential care placements and could be equally successful in the commissioning of specialist education placements. To date there have been initial meetings with two of our larger providers and we are aiming to have contracts in place for the next financial /academic year, subject to appropriate Legal processes being in place.
13. In addition, the LA is working on initiatives to assess the relative benefits of developing regional and / or sub-regional approaches to commissioning given that increasing unit costs are an issue facing all local authorities. A County Council officer is leading a regional project – funded by the 9 East Midlands Councils responsible for children's services – to assess the feasibility of a regional approach to specialist education commissioning. In fact, the County Council already works collaboratively with Nottingham City Council and other

neighbouring authorities in the commissioning of services, including several for children and young people. Building on this, we are also assessing the merits of establishing more formal sub-regional joint commissioning arrangements with Derbyshire and Derby City Councils which could, for example, lead to shared block contracts with key providers across the D2N2 footprint.

14. The High Needs Block review, carried out by Peter Gray between January and May 2018 has made a series of recommendations to inform NCC and schools on options for possible change to the use of this budget, in order to meet need in a more cost effective way. A summary of outcomes was presented to Schools Forum in June 2018 and the final report is attached as appendix 3. There is now a need to agree a series of consultation meetings with representation from publically funded schools and NCC services to agree the way forwards
15. In spite of the actions outlined above, NCC officers are currently predicting a £2.4 million overspend in 2018/19 and £7.1 million in 2019/20. This indicates that actions taken to resolve the pressures in the HNB are insufficient and further action needs to be taken. It is also clear that LA actions alone will not address the escalating overspend in the INM budget. Building on the recommendations of the HNB review it is imperative that schools and LA work in partnership in the best interests of the children and young people with SEND to radically change the ways of working to meet needs.
16. The predicted overspend for 2019/20 mirrors the areas of overspend occurring in 2018/19 as outlined in the budget reporting (agenda item 2c) and detailed in appendix 1.

Non ISB Deficit Carry forward

17. It is currently forecast that due to the overspend in the high needs block for 2018/19 there will be deficit of £0.839 million on the non ISB reserve which will need to be recovered in 2019/20.

As we are only half way through 2018/19 the final variance could differ from the forecast and therefore change the size of the deficit. Future budget monitoring reports will inform the Schools Forum of any change to this variance.

RECOMMENDATION/S

That the Schools Forum:

1. notes the content of the report
2. agrees the inclusion of a proposal in the Schools budget consultation to transfer 0.5% of the Schools Block into the High Needs Block for 2019/20.
3. identifies a representative for each phase of education from the Schools Forum to join a planning group, which will plan and deliver a series of consultation meetings on options for change in November 2018 to inform the report to Schools Forum in December 2018.

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