

## **Purpose of the Report**

The purpose of this report is:

1. to advise the Schools Forum on:
  - a. the emerging budget pressures in the 2017-2018 High Needs Block
  - b. the early indications of some of the reasons for these budget pressures
  - c. the outcome of the work undertaken to date to review the numbers of pupils currently accessing funding from the High Needs Block in each of the different types of provision, as outlined in the report to Schools Forum in June 2017 (appendices 1 and appendix 2)
2. to provide options for ensuring that the High Needs Block has sufficient funds available in 2017-2018 and in future years to cover the full cost of meeting the needs of CYP with complex SEND, within the allocated budget

## **Information and Advice**

3. There has been a significant increase in the number of children and young people (CYP) with an education, health, care plan (EHCP), accessing specialist education provision, in education other than at school (EOTAS) and independent non-maintained schools (INM). This links directly to increases in the number of:
  - a. CYP with complex needs nationally and locally
  - b. EHCPs issued, as a result of the SEND reforms (2014), including those accessing education in post 16
4. These national changes, coupled with the increasing pressure on schools to improve attainment in the context of a highly academic curriculum, have resulted in increased challenges for schools to include CYP with the most complex needs in mainstream schools.
5. As a result, Nottinghamshire special schools are now full and this has led to an increase in the number of externally commissioned places in specialist education provision (EOTAS and INM).
6. The SEND review 2015 to 2016 had already raised the issue of a 15% increase in the number of CYP accessing education in Nottinghamshire special schools between 2011 and 2016. The number of places in Nottinghamshire special schools has been increased by 40 since the time of the review. However, all these additional places have been filled for September 2017, but are still insufficient to meet demand.
7. The review predicted a further increase in demand for special school placements over the next 5 years, by at least 150. Nottinghamshire County Council therefore submitted Expressions of Interest (EOIs) to the Regional Schools Commissioner (RSC) for funding

## Appendix 2

for 2 new special schools, which would have provided more places in Nottinghamshire special schools, thereby reducing the need for additional places in external specialist provision. Unfortunately both EOIs have been unsuccessful.

8. The forecast overspend on the EHCP specialist provision line of the High Needs Block funding at the end of August 2017 (period 5), is £1.6m, which includes known new placements for September, by the end of the 2017-2018 financial year. There is no contingency built into this budget for any further increases in spending in this financial year.
9. Between 1 September 2016 and 31 March 2017 there was an increase in the numbers of CYP in specialist education from 230 to 305 (32.6% increase). As at 31 August 2017, there were 263 CYP in specialist education. If a similar increase is experienced between 1 October 2017 and 31 March 2018, there could be up to an additional 42-66 CYP (7 to 11 per month) requiring specialist provision. To fund this increase an additional £0.5m to £0.8m will be required. Should this possible increase occur, the total predicted overspend would be between £2.1m and £2.4m.
10. As agreed at the June 2017 Schools Forum, there is a need for a shared understanding around current use of the High Needs Block to inform the strategic development of different types of provision in ways which are beneficial to children with complex needs, more cost effective and remaining fair across Partnership Development areas (Appendix 2).
11. Appendix 2 confirms that places in external specialist provision are more expensive than those in Nottinghamshire special schools. However, an in-depth review will be needed to fully understand the effectiveness of the current use of the High Needs Block funding and to inform the most effective and efficient ways to allocate this funding in future, so that CYP access the least costly but most appropriate type of provision to meet their needs now and into the future, thus ensuring *best value* from the High Needs Block.

### Options to Address the Projected Overspend

12. For 2017-18 the options to address the overspend are very limited and the impact of this on the Non-ISB reserve is shown at Appendix 3. This shows that the reserve balance would fall to £0.741m at the end of 2017/18 and £0.313m for 2018/19 (assuming no further overspends on the centrally retained budgets).
13. It is anticipated that this pressure will continue into 2018-19 and additional funding will need to be identified. The HN block funding quantum will not be known until December but on the basis of indicative allocations provided in the 2<sup>nd</sup> stage of the HN national funding formula consultation it is hoped that Nottinghamshire will see an increase, however this is by no means certain. Furthermore if there is an increase there will be other 'pressures' in the HN block which will also want addressing.
14. An option that should be considered is to transfer up to 0.5% out of the schools block into the HN block for 2018-19. Local authorities will be allowed to do this with the agreement of their schools forum. Transfers above this limit would require Secretary of State approval. This would need to be included in the 2018-19 local funding formula consultation and would include financial modelling of the impact on individual schools. The indicative amount for this, based on the 2017-18 schools block funding, would be £2.264m.

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15. As the current situation isn't sustainable it is suggested that the Schools Forum works in partnership with the Local Authority to carry out a comprehensive review of the distribution, use and impact of current funding in the High Needs Block. The aim of this review would be for pupils to access the most appropriate type of provision in order that *best value* is achieved from the High Needs Block.

### RECOMMENDATION/S

#### That the Schools Forum:

- 1) Notes the financial position of the 2017-18 High Needs Block and the forecast overspend.
- 2) Agrees, in principle, to include a proposal in the 2018-19 local funding formula consultation to transfer up to 0.5% from the school block to the High Needs block to increase the High Needs Block allocation
- 3) works in partnership with the Local Authority to carry out a comprehensive review of the distribution, use and impact of current funding in the High Needs Block. The aim of this review would be for pupils to access the most appropriate type of provision in order that *best value* is achieved from the High Needs Block.

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## Appendix 2

### Appendix 3 - Non ISB Reserve Projected Balance

	<b>2017/18 £ millions</b>
Non ISB Reserve Brought Forward	6.724
Less Net Underspending Allocated to Services	0.801
Balance carried forward as per Schools Forum Final Accounts Report (June 17)	<b>5.923</b>
<b>2017/18 Schools Forum Approvals</b>	
Tackling Emerging Threats to Children	0.390
Heads Count	0.038
EY Setting Sustainability (disapplication request pending)	0.065
ISB Top Up	1.000
High Needs Block pressures (June 17 report)	<u>0.891</u>
	2.384
Forecast Overspend on centrally retained services (Period 5)	2.700
16/17 Early Years Block Adjustment	0.098
<b>Projected Non ISB Reserve Balance @ 31/03/2018</b>	<b>0.741</b>
<b>2018/19 Potential Commitments</b>	
Tackling Emerging Threats to Children	0.390
Heads Count	<u>0.038</u>
	<b>0.428</b>
Projected Under/Overspend on centrally retained services*	??
<b>Projected Non ISB Reserve Balance @ 31/03/2019</b>	<b>0.313</b>

\*The historic pension enhancements charged to the Termination of Employment costs budget consistently overspends so it is highly likely that this will be the case for 2018/19 as well.