

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 2018/19.

Background

2. In January 2018 a report (**Appendix 1**) 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.
3. The report identified a forecast £5.3 million shortfall on the high needs block in 2018/19 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. This recommendation was agreed by the Forum.
4. Following the approval of the transfer of £2.3 million from the schools block to the high needs block the shortfall is still forecast to be £3 million.

Information and Advice

5. NCC officers have undertaken a line by line review of the services funded from the high needs block and where possible suggested methods for reducing forecast expenditure.
6. Due to the short amount of time until the beginning of the 2018/19 financial year, it will not be possible to make significant savings from services with staffing costs, therefore most of the savings will need to be achieved from the funding devolved directly to individual schools, partnerships and families.
7. Two models (**Appendices 2 and 3**) accompany this report illustrating different approaches to achieving the saving. Appendix 2 shows savings from both central services and devolved funding whereas Appendix 3 makes all reductions from devolved funding.
8. Both models are accompanied by supporting data showing the effect of the reduction in devolved funding on individual schools, families and partnerships.

Options to Address the Projected Budget Pressure

Independent Non Maintained and Alternative Provision (pre and post 16)

9. Though these budgets are protected from any reduction for 2018/19, there is an implied assumption that there will be a cessation of the significant financial pressure that has been placed upon this budget during the recent past. During the last 3 years, the numbers of young people with an Education Health and Care Plan whom it has been deemed necessary to place in a INM / AP setting have increased by 50%. At the same time, the average costs for such a placement have also increased by 50%, resulting in a tripling of the cost to the INM / AP Provision budget lines during this period. There is no evidence to suggest that this trend has reached its peak so it will present considerable challenge to manage these demand and cost pressures within the existing budget provision. Below are some of the ways in which NCC will seek to mitigate the continuing financial pressures.
10. NCC will refresh the process by which placements in the INM / AP sector are formally approved, which will benefit from Service Director oversight and challenge. The aim will be 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 will provide an appropriate degree of challenge to colleagues within both the local authority and schools. It will also require 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 local authority will also be doing work to manage the unit cost-related financial pressure – by continuing to work with providers to establish new commissioning and contracting arrangements where these indicate economic gain. The LA will also work on a regional initiative to assess the relative benefits of a regional approach to commissioning given that increasing unit costs are an issue facing all local authorities.
11. There is ongoing work taking place to challenge the level of claims being made by colleges for additional support (top up). There is also further work to be done regarding planning around Post-16 placements. ICDS and the Commissioning team will further challenge FE colleges to reduce requests for additional funding to meet needs. The effect will be that FE colleges will be required to make more additional provision as part of their ordinary offer through place funding.
12. All other options are outlined in **Appendices 2 and 3**.

Changes to the AFN and FNF formula

13. For 2017/18 changes were made to how the *prior attainment* factor was calculated which raised questions about the reliability of its use in the AFN/FNF formula. Given that these concerns about consistency and reliability persist, it is proposed that the *prior attainment* factor is no longer used, and that the 12% of the AFN/FNF budget that it accounted for is re-designated to either:
- The FSM factor, increasing it from 8% to 20%, or
 - The FSM and Pupil Numbers factor, i.e. increasing the FSM factor from 8% to 14%, and the pupil numbers factor from 60% to 66%.

It is further proposed that the FNF and AFN budgets are combined so that a family of Schools will now receive a single AFN budget. The rationale for making this change is:

- (i) The formula which determines the AFN and FNF elements for each Family of Schools have historically been the same.
- (ii) Increasingly, Families of Schools have used these budgets interchangeably.

- (iii) There has also been a growing variation between Families of Schools in the methods they use to allocate the AFN budget
- (iv) Combining the two budgets will simplify matters for schools, as well as for the LA

The impact of two proposed changes to the formula is shown as supporting models 3a and 3b to appendices 2 and 3 showing the size of difference between each option and the current combined AFN/FNF budget for each family of schools.

Non ISB Deficit Carry forward

14. It is currently forecast that due to the overspend in the high needs block for 2017/18 there will be deficit of £0.437 million on the non ISB reserve which will need to be recovered in 2018/19. This is shown in both options in appendices 2 and 3.

As there are still two months of 2017/18 remaining, there is a chance that the 2017/18 outturn could differ from the forecast and therefore change the size of the deficit. Should the size of the deficit differ from the current forecast the difference will need to be managed proportionally from the devolved funding streams (partnerships, AFN and FNF).

High Needs Block shortfall 2019/20

15. The high needs block pressure report presented to Schools Forum in January also highlighted a predicted shortfall in the high needs block for 2019/20 of £6.3 million. Although the on-going high needs review may identify means of reducing expenditure for 2019/20, it is still possible that a shortfall will need to be addressed again as part of the budget setting process next year.

RECOMMENDATION/S

That the Schools Forum:

1. Notes the content of the report
2. Decides on a method to reduce the forecast high needs block expenditure in 2018/19
3. Decides on the new formula for devolving AFN and FNF funding and whether these should become one combined as a single AFN budget allocation.

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