**SCHOOLS FORUM MEETING – 15th NOVEMBER 2018**

**SCHOOLS FUNDING & HIGH NEEDS BLOCK SPENDING PRESSURES 2019-20**

1. **Introduction**

The purpose of this paper is to advise Schools Forum members of the current projected position on the high needs block and the continuing pressures it faces and continues to face. The paper looks at options available to mitigate this matter with any impact this would have on schools.

The paper lays out the background to this matter, provides detail of the current financial and demand position and the actions the Council is taking to manage and contain this pressure.

1. **National Background**

At the commencement of the financial year 2018-19 the Department for Education (DfE) introduced a National Funding Formula (NFF) for the allocation of High Needs Block funding to the Council. As with all changes in funding allocations there were winners and losers and whilst this area was a winner to ensure that the system remained affordable those Council’s that gained had their gains capped to fund those local authorities which were losing and were having these losses transitioned out.

The introduction of the NFF and was a recognition of the national increase in both demand and complexity of children with high needs and the need for a fair and equitable funding basis.

Also introduced during 2018-19 operational guidance was the ability for Councils to top slice up to 0.5% of their schools block and transfer this to another block, pragmatically this would be the high needs block given the pressures in this area.

Councils could not however make this top slice unilaterally and there were a number of necessary actions that they had to undertake in order for the top slice to be approved. In essence these actions were:

* Approval of the Schools Forum
* Consultation with mainstream Schools
* For both of the above information needs to be presented which includes:
	+ Any previous movements of funding between the DSG blocks
	+ Details of the budget pressure(s)
	+ Actions taken or to be taken by the Council to bring the high needs spending to anticipated future funding levels

Schools Forum can only give approval for a one year only transfer of funding out of the schools block.

A number of authorities decided to top slice their high needs block in 2018-19 to transfer funding, Regional discussions indicate that in the Yorkshire and the Humber region only very few authorities made the decision not to top slice, NELC was one of those authorities.

An increasing number of local authorities are now showing a deficit on their Dedicated Schools Grant (DSG) account (the balances they holds excluding maintained school balances) and in response to this the DfE has stated in its operational guidance for the 2019-20 schools funding formula that they will require a report to be written advising what actions the local authority plans to take to bring the account back into balance,. This report will be required to be shared with the Schools Forum.

It is clear that the DfE are setting an expectation that the DSG Account must be brought into balance and the inference can be taken that calls on the general fund should not be expected.

Contained within the operational guidance for 2019-20 is the option to again top slice the schools block by 0.5% with the same conditions as those for 2018-19.

1. **NELC - Current Position**
	1. **Financial**

Since the introduction of Fairer Funding in 2013-14 the Council has adopted an approach of each DSG block living within its means. It has not transferred funding between blocks and instead transferred any underspends to the central DSG contingency where its use could be discussed with Schools Forum members.

Arising from this over the last few years the Council has been fortunate enough to be able to make a number of one-off payments to mainstream schools over and above their base funding. Whilst this has been non-recurrent the Council and Schools Forum were of the view that as much funding should find its way to the front line as was prudently possible.

The total value of one off payments to North East Lincolnshire Schools since 2014-15 is shown in the below table:

|  |  |
| --- | --- |
|  **Year** | **One-off allocation £** |
| 2014-15 | 1,500,000 |
| 2015-16 | 2,500,000 |
| 2016-17 | 2,476,800 |
| 2017-18 | 1,900,000 |
| **Total** | **8,376,800** |

In addition to these one-off payments there have been permanent increases in the base AWPU over the same period as follows:

|  |  |
| --- | --- |
| **Sector** | **Increase in base AWPU** |
| Primary | 57.56 |
| Secondary | 54.84 |

On the abolition of the Education Services Grant Councils were allowed, with Schools Forum permission, to increase the amount they charged in respect of the retained and statutory duties they carried from the £15 per pupil. The Council discussed with the Forum and decided at that time to forgo this increase.

In respect of the High Needs Block the outturn position since 2014-15 has been as follows:

|  |  |
| --- | --- |
| **Year** | **High Needs Block Outturn £** |
| 2014-15 | (555,000) |
| 2015-16 | (745,000) |
| 2016-17 | (510,000) |
| 2017-18 | 599,000 |

* + () denote an underspend

For 2018-19 the option to top slice the schools block by 0.5% was introduced by the DfE. This Council also decided not to pursue this option as it considered its previous prudent management meant the in year deficit could be absorbed by the contingency. When the Council advised Forum of this decision it did advise that it might not be able to do this in future years should the demand pressure continue.

The High Needs Block allocation received by the Council is detailed below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **HNB Allocation £’m** | **HNB Allocation (after recoupment) £’m** | **% change on 2014-15** |
| 2014-15 | 15.785 | 11.234 |  |
| 2015-16 | 15.919 | 11.345 | 0.1 |
| 2016-17 | 16.118 | 11.535 | 2.7 |
| 2017-18 | 17.110 | 11.578 | 3.1 |
| 2018-19 | 17.682 | 12.024 | 7.0 |
| 2019-20 | 18.103 (provisional) |  |  |

In respect of the current financial year, 2018-19, whilst the Council received additional high needs block funding as a result of the implementation of the High Needs National Funding Formula in order to meet increasing demand and cost pressures the Council needed to over allocate and utilise some of the income obtained through the BACs process. What this means is that in order to fund High Needs activities the Council relies to a minor extent on income from permanent exclusions. This strategy if not controlled could lead to perverse incentives and needs to be controlled very carefully.

At the Schools Forum meeting on the 4th July 2018 a detailed analysis around the 2017-18 high needs outturn position was presented together with the allocation of 2018-19 high needs block allocation (reproduced at Appendix A). That report highlighted that there were 3 main cost pressure areas which were agency placements, top up funding for mainstream schools and post 16. In addition to these spending pressure areas the costs of alternative provision continue to cause concern.

For the financial year 2018-19 the Qtr 1 High Needs Block projected outturn is a £1.1m overspend. Whilst this could move in year we need to use this as a working assumption. Primary reasons for this significant increase in overspend are predominantly increasing numbers of agency placements, with full year impacts of the increased numbers in 2017-18 taking effect, increased post 16 costs due to extended age and demand, and generally increased demand.

Using known information the estimated year end DSG contingency position at 31st March 2019 is anticipated to be:

|  |  |
| --- | --- |
|  | **£’m** |
|  |  |
| b/f as at the 1st April 2018 including Early Years adjustment | 1.704 |
| Projected 2018-19 overspend | (1.100) |
|  |  |
| **Projected c/f as at the 31st March 2019** | **0.604** |
|  |  |
| Earmarked for Growth funding | (0.200) |
|  |  |
| **Remaining contingency available** | **0.404** |

The amount of £0.404m leaves the overall DSG contingency at a very low level and one that requires immediate action. Inaction will mean that, if current trends continue, the DSG contingency will be exhausted by September 2019. As a consequence this would mean services would need to be significantly reduced and/or possibly ceased.

Of the £12.2m high needs block spend in 2017-18 then £11.2m was spent in respect of top up payments or payments on external contracts.

* 1. **Demand**

Over the same period since the introduction of Fairer Funding demand around SEND has increased across a number of areas.

Below as a general measure are the increases in the numbers of Looked After Children, numbers of children on Child Protection Plans and numbers of Children In Need numbers since 1st April 2012. These are shown in the tables below:

|  |  |  |
| --- | --- | --- |
| **Date** | **Number of Looked After Children** | **% change since 1st April 2012** |
| 1st April 2012 | 155 |  |
| 1st April 2013 | 200 | 29 |
| 1st April 2014 | 265 | 71 |
| 1st April 2015 | 265 | 71 |
| 1st April 2016 | 295 | 90 |
| 1st April 2017 | 297 | 92 |
| 1st April 2018 | 361 | 133 |
| 30th June 2018 | 386 | 149 |

|  |  |  |
| --- | --- | --- |
| **Date** | **Number of Child Protection Plans (CP)** | **% change since 1st April 2012** |
| 1st April 2012 | 88 |  |
| 1st April 2013 | 231 | 163 |
| 1st April 2014 | 407 | 363 |
| 1st April 2015 | 226 | 157 |
| 1st April 2016 | 221 | 151 |
| 1st April 2017 | 202 | 130 |
| 1st April 2018 | 234 | 166 |
| 30th June 2018 | 278 | 216 |

|  |  |  |
| --- | --- | --- |
| **Date** | **Number of Children in Need** | **% change since 1st April 2012** |
| 1st April 2012 | 1,591 |  |
| 1st April 2013 | 2,134 | 34 |
| 1st April 2014 | 2,366 | 49 |
| 1st April 2015 | 1,941 | 22 |
| 1st April 2016 | 2,029 | 28 |
| 1st April 2017 | 1,975 | 24 |
| 1st April 2018 | 2,138 | 34 |
| 30th June 2018 | 2,080 | 31 |

Whilst these are not education specific it does provide context to the challenges and demand faced by the Council in respect of high needs. Other more pertinent data is provided below:

**Costs and number of Agency Placements with an education element & Education Health & Care Plans**

Data in respect of increasing agency placement numbers is detailed in the table below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2017-18 Pupil Numbers** | **2016-17 Pupil Numbers** | **2015-16 Pupil Numbers** | **2014-15 Pupil Numbers** | **2013-14 Pupil Numbers** |
|  |  |  |  |  |  |
| Education Placements | 67 | 32 | 35 | 36 | 23 |
| Education Placements with Social Care element | 9 | 9 | 10 | 7 | 8 |
| Adult Service contributions included in Ed figures | 0 | 0 | 1 | 2 | 4 |
|  |  |  |  |  |  |
| **Total** | 76 | 41 | 46 | 45 | 35 |

Data in respect of increasing agency placement costs is detailed in the table below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2017-18 Costs £** | **2016-17 Costs £** | **2015-16 Costs £** | **2014-15 Costs £** | **2013-14 Costs £** |
|  |  |  |  |  |  |
| Education Placements | 2,409,842 | 1,655,468 | 1,259,355 | 1,666,856 | 1,014,394 |
| Education Placements with Social Care element | 1,459,612 | 1,665,298 | 1,440,839 | 974,356 | 1,196,394 |
| Adult Service contributions included in Ed figures | 0 | 0 | 21,938 | 135,463 | 199,065 |
|  |  |  |  |  |  |
| **Total** | **3,869,454** | **3,320,766** | **2,722,132** | **2,776,675** | **2,409,853** |
|  |  |  |  |  |  |
| **Average cost per place** | **50,914** | **80,994** | **59,177** | **61,704** | **68,853** |

Since 2013-14 the number of agency placements has increased by 117% with an increase in costs of 61%. The general reason for the increase is a greater number of children having more complex needs which require specialist provision. If this demand is unable to be met within other schools or locally then out of area providers need to be sourced.

The table bellows details the increase in the number of EHCP’s since 2014-15.

|  |  |  |  |
| --- | --- | --- | --- |
| **Academic Year** | **Number of requests for EHCP’s** | **Cumulative Number of EHCP’s** | **% change on 2014-15** |
| 2014-15 | 57 | 543 |  |
| 2015-16 | 122 | 625 | 15 |
| 2016-17 | 144 | 738 | 36 |
| 2017-18 | 168\* | 868 | 60 |

\* to date (30th June 2018)

 Looking at a breakdown of the 2017-18 figure this can be analysed as follows:

|  |  |  |
| --- | --- | --- |
| **Category** | **Number** | **%** |
| Pre school | 14 | 2 |
| Primary | 332 | 38 |
| Secondary | 325 | 37 |
| 16 – 18 | 102 | 12 |
| 19-25 | 95 | 11 |
|  |  |  |
| **Total** | **868** | **100** |

Analysing 2014-15 in the same way (Data at November 2014 hence a slight number difference) then the results are as follows:

|  |  |  |
| --- | --- | --- |
| **Category** | **Number** | **%** |
| Pre school | 12 | 2 |
| Primary | 243 | 44 |
| Secondary | 276 | 49 |
| 16 – 18 | 21 | 4 |
| 19-25 | 5 | 1 |
|  |  |  |
| **Total** | **557** | **100** |

**Nationally**, the picture is one of increasing demand, the number of pupils with special educational needs (SEN) has increased for a second consecutive year and those percentage of pupils with a statement or EHC plan has increased to 2.9% nationally.

The percentage of pupils with a former statement of SEN or EHC plan attending state-funded special schools has seen a year on year increase since January 2010 from 38.2% to 44.2% in January 2018. The percentage of pupils with former statements of SEN or EHC plans attending independent schools has also increased year on year between January 2010 and January 2018, from 4.2% to 6.3%.

The percentage of pupils with SEN without former statements of SEN or EHC plans attending independent schools has also increased each year. In January 2010, 4.0% of pupils with former statements of SEN without statements or EHC plans attended independent schools, increasing to 7.1% of pupils in January 2018.

The percentage of pupils with SEND without former statements of SEN or EHC plans attending state-funded primary schools has also increased between January 2010 and January 2018, from 51.4% to 57.1%. Meanwhile, the percentage of pupils with SEND without former statements of SEN or EHC plans attending state-funded secondary schools has declined over the same period, from 43.6% in January 2010 to 33.9% in January 2018.

Within North East Lincolnshire historically, the number of pupils with a former statement of SEN or EHC plan in North East Lincolnshire has been very much below national and regional averages. As of the January 2018 then 2.3% of pupils have an EHC plan compared to 2.9% nationally and 2.6% in Yorkshire and the Humber.

The Council’s special educational needs assessment and review service has developed policies and increased awareness over the last 3 years resulting in the earlier identification of need and as would be expected this has resulted in an increased number of statutory requests for an assessment of SEND for an EHC plan in North East Lincolnshire to increase in line with national trends.

Clearly this demand results in greater cost and top up payments to provisions across the whole sector.

**Permanent Exclusions**

The table below details permanent exclusions since 2013-14:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Academic Year** | **Primary** | **Secondary** | **Total** | **% change on 2013-14** |
| 2013-2014 | 2 | 21 | 23 |  |
| 2014-2015 | 6 | 41 | 47 | 104 |
| 2015-2016 | 5 | 59 | 64 | 178 |
| 2016-2017 | 9 | 39 | 48 | 109 |
| 2017-18 – year to date | 11 | 40 | 66\* | 187 |

Note: The 2017-18 to date figures are subject to validation.

Over this academic year there has continued to be a challenge in relation to permanent exclusions and this follows wider annual increases year on year that has been apparent from the period 2011- 2012 to 2015-16. This reached a high point in 2015 -16 where 64 permanent exclusions were recorded. Within the 2017-18 academic year the number in 2015-16 has been exceeded. This continues to create a challenge in relation to wider capacity in accessing education provision outside mainstream as a significant proportion of permanently excluded students are placed in settings outside mainstream for either Day 6 provision against NELC statutory obligations or for short, medium or long term placement in pupil referral units / alternative provision (PRU/AP) against distinct social, emotional and mental health (SEMH) needs.

The wider challenge in relation to permanent exclusions/fixed term exclusions is not fixed to this local area and is an increasing challenge both regionally and nationally. Within the 2015-16 academic year North East Lincolnshire was identified as having the highest national level of permanent exclusion as a percentage of the school age population (as at January 2016 headcount). Within the DFE’s school exclusion 2016/17 figures NEL had the highest regional level of permanent exclusion as a percentage of the school age population; this raises a level of concern as a clear reduction in permanent exclusion in the area was apparent in 2016-17 academic years and proportionally North East Lincolnshire’s schools/academies continue to display high levels of permanent exclusions. Both regionally and nationally both fixed term and permanent exclusions are showing year on year increase across a sustained period of time.

Within the 2017-18 academic year, unconfirmed figures show that North East Lincolnshire reached its highest ever level of permanent exclusions with 66 (figure is subject to validation) permanent exclusions recorded from all phases of education.

In funding terms when a school permanently excludes a child the Local Authority can withdraw the funding elements in respect of the pupil. Using a broad average for all the non AWPU elements this would mean that up to £6,000 could be removed where a secondary student is excluded and up to £4,500 for a primary pupil. Where a pupil aged 14 – 16 attends an FE funded establishment then a maximum of up to £4,000 funding can be clawed back. The full year cost of local Alternative Provision is just under £18,000 per place. Each permanent exclusion therefore costs the council on a full year effect basis approximately £12,000 per secondary pupil and £13,500 per primary pupil.

Taking the 2017-18 data as finalised and assuming a full year effect for all 66 pupils permanently excluded then the next cost to the High Needs Block is £0.8m.

The increase in the number of places required result in a cost to the high needs block for over commission provision. This continues to rise year on year with an increase from 2016-17 of circa £20k across all phases to a predicted total cost in 2017-18 of £85k this year.

Overall the cost of Alternative Provision has increased from £2.2m in 2014-15 to £3.1m in 2017-18.

The two tables below show the referrals to the BAC since 2013-14 and again demonstrate the increasing and rising demand:

|  |  |  |
| --- | --- | --- |
| **Academic Year** | **Primary BAC referrals** | **% change on 2013-14** |
| 2013-2014 | 45 |  |
| 2014-2015 | 48 | 7 |
| 2015-2016 | 58 | 29 |
| 2016-2017 | 65 | 44 |
| 2017-18 – year to date | 85 | 89 |

|  |  |  |
| --- | --- | --- |
| **Academic Year** | **Secondary BAC referrals** | **% change on 2013-14**  |
| 2013-2014 | 234 |  |
| 2014-2015 | 257 | 10 |
| 2015-2016 | 231 | (1) |
| 2016-2017 | 243 | 4 |
| 2017-18 – year to date | 299 | 28 |

The level of referral into both the secondary and primary BAC causes a distinct level of challenge which is amplified by the significantly increased level of referral during the 2017-18 academic year. This has placed a distinct challenge on the collaborative approach as there are no identified sustained increases in the number of successful trials (managed moves) recorded in schools/academies. The reciprocal pressure placed through an increased level of referral in the BAC model is aligned to increased levels of referral in KS1 in the primary phase and increased level of referral in KS3 in the secondary phase; both are contributing factors in a stationary PRU/AP population if the students have met the threshold for placement outside mainstream. These student cohorts are requiring longer term placements with a high level of intervention and less likelihood of returning to mainstream in the short–term.

The detailed breakdown of referral on a school/academy individual basis would suggest that a high volume of referral is recorded from a smaller proportion of schools/academies. There are a number of contributing factors that should be recognised within this trend analysis.

 **Special Schools**

When fairer funding was introduced in 2013-14 local authorities had to agree commissioned place numbers with providers. Agreement was reached with both special academies to commission a collective number of 311 places.

Over the years the Council and the Academies have managed to contain numbers broadly within the number of places commissioned however over the last few years sustained increasing demand has result in the collective number of commissioned places being increase to 323. There remains increasing demand and at the start of the 2018-19 academic year the Council is having to manage, and fund, 15 additional special school places. Top up rates have been prudently increased and refined since 2013-14.

Moving forward the Council will be spending some of its Special Provision Capital grant on the special academies. This will allow them to increase capacity, the demand is there, but will subsequently increase the spending requirement from the high needs block.

1. **Options**

The options open to the Council to address this issue are limited but can be listed as follows:

* 1. Do nothing – this is listed as an option but would only delay the day that action would need to be taken. Following this action would result in the over spend being charged to the DSG contingency reserve until it was fully utilised. Based on the current spend projections the DSG Account will become a deficit around September 2019. By the end of the financial year 2019-20 under the new operational guidance for 2019-20 the Council will then be required to produce a report which would need to be discussed with the Schools Forum as to the actions that it intends to take to bring the DSG Account back into balance.
	2. Continue to take actions such as those outlined in Paragraph 5. Whilst such actions should reduce costs there is unlikely to be any significant impact in 2018-19 and may not achieve full year savings in 2019-20.

Based on the balance of probability it is likely that the rate of spend would exceed the rate of savings achieved and the DSG would be fully utilised prior to the savings being fully achieved.

Again as above under the new operational guidance for 2019-20 the Council will then be required to produce a report which would need to be discussed with the Schools Forum as to the actions that it intends to take to bring the DSG Account back into balance. Based on the

Without predicating the outcome of reviews it seems inevitable that the reviews would result in service reductions, increased charges to schools where this was possible or a combination of these. Further work would need to be undertaken to determine the possible options.

* 1. Top slice the Schools Block by up to 0.5% and transfer this funding to the High Needs Block. Such an action would reduce funding available to schools. Due to the workings of the Minimum Funding Guarantee (MFG) the impact on each school would not be uniform. More information is provided on the impact in Paragraph 6.
1. **Actions being undertaken by the Council**

The Council continues to undertake all available actions to manage and contain the high needs spend within the available allocation. However it has to be stated that whilst Para 3 (a) does demonstrate that additional High Needs Block funding has been received Para 3 (b) shows that increasing demand across all needs has significantly outstripped this monetary rise.

The BAC’s continues to operate and although there will always be challenges continues to operate well. The Council continues to be an active participant regionally working with other local authorities to share best practice in managing this challenging issue.

These actions, however helpful are now not enough on their own. The Council is currently pursuing two significant options:

**Reviewing out of area placements**

Actions such as reviewing a number of out of area placements to assess and determine if some children and young people can be brought back into the local area are built into system processes. Positive decisions on these cases are always on the basis of the change in placement being of no detriment to the child/young person and will have to consider a number of factors including the ability to access local educational provision.

**Valuing Care**

The Council has currently embarked on a pilot project exercise engaging iMPOWER to introduce a common methodology that where children are placed the outcomes they achieve are maximised and the care and education represents value for money. It is hoped that better outcomes for the child will be achieved and meaningful discussions on costs incurred with providers will become possible.

**Educational Facility**

Council Officers have prepared an outline business case which has been agreed in principle by the Councils Leadership team to provide residential facilities for up to 10 children with its own educational provision for Looked after Children focusing on those with the most challenging and complex needs.

The monetary impact in returning these children and young people to the area would be cost avoidance in that where it was safe and appropriate to do so a small number of children/young people would be brought back into the local area. Out of area education costs are generally more expensive and although the precise amount of saving / reduction cannot be precisely quantified as it depends on the children and young people concerned it is considered due to the anticipated period of time for their current provision and associated social care and education costs that it could be significant.

Given the nature of complexity and associated timescales involved in this type of review it is not considered that any savings of significance would be generated in 2018-19.

**0-19 Phase 2**

This review is part of the on-going programme of 0-19 with Phase 2 very much focused on the educational services. A handout was provided at the last Schools Forum detailing the services included with a significant number of these being DSG funded. This is re-attached at Appendix B. Without predicating the outcome of the review which needs to have as a priority safety of the child and our statutory duties, any savings arising from DSG funded services would reduce the financial pressure. As with all major transformational change programmes implementation takes time and full realisation of savings will not be realised until 2019-20 at the earliest. Any changes to services would have to follow due process including appropriate consultations etc.

1. **Impact on schools**

The impact on schools for options a and b cannot be determined at this time as the outcomes of reviews is not known.

In respect of option c, a top slice of 0.5% on the Schools Block will result in a total funding reduction for all mainstream schools in the local area of £505,715. This is based on the 2019-20 provisional schools block figure issued by the DfE of £101.143m. Based upon the October 2017 pupil count of 21,712 this equates to £23.29 per pupil. All NELC pupil AWPU’s are in excess of the current NFF levels.

The reduction of £505,715 would not be from the 2018-19 baseline funding and would in part be met by the foregoing of the increase in funding built into the schools block for 2019-20. Preliminary modelling indicates a top slice of 0.5% would result in a £270k reduction compared to the 2018-19 baseline funding.

Analysing the impact on each school with the usual caveats in terms of this is based on October 2017 pupil count etc the below summary table shows the impact on all mainstream schools:

|  |  |
| --- | --- |
| **Loss of funding on 2018-19 allocation £** | **No of schools** |
|  |  |
| 0 (no reduction) | 23 |
| 1 – 5,000 | 14 |
| 5,001 – 10,000 | 15 |
| 10,001 – 15,000 | 2 |
| 20,001 – 25,000 | 2 |
| 45,001 – 50,000 | 1 |
|  |  |
| **Total** | **57** |

This can be broken down between each of the phases as follows:

**Primary**

|  |  |
| --- | --- |
| **Loss of funding on 2018-19 allocation £** | **No of schools** |
|  |  |
| 0 (no reduction) | 17 |
| 1 – 5,000 | 14 |
| 5,001 – 10,000 | 14 |
| 10,001 – 15,000 | 2 |
|  |  |
| **Total** | **47** |

**Secondary**

|  |  |
| --- | --- |
| **Loss of funding on 2018-19 allocation £** | **No of schools** |
|  |  |
| 0 (no reduction) | 6 |
| 5,001 – 10,000 | 1 |
| 20,001 – 25,000 | 2 |
| 45,001 – 50,000 | 1 |
|  |  |
| **Total** | **10** |

A more detailed impact will be demonstrated.

In terms of the available reserves position of the mainstream schools, then using the latest information available, information at the 31st March 2018 for maintained schools and 31st August 2017 for academies the position can be tabulated as follows:

|  |  |
| --- | --- |
| **Reserve Banding £’000** | **No of schools** |
|  |  |
| 1. – (20)
 | 1 |
| 0 - 50 | 8 |
| 51 - 99 | 7 |
| 100 – 199 | 10 |
| 200 – 299 | 9 |
| 300 - 399 | 3 |
| 400 - 499 | 8 |
| 500 - 599 | 5 |
| 1,000 – 1,500 | 4 |
| Unable to find | 2 |
|  |  |
| **Total** | **57** |

This can be broken down between each of the phases as follows:

**Primary**

|  |  |
| --- | --- |
| **Reserve Banding £’000** | **No of schools** |
|  |  |
| 1. – (20)
 | 1 |
| 0 – 50 | 6 |
| 51 – 99 | 7 |
| 100 - 199 | 10 |
| 200 - 299 | 10 |
| 300 – 399 | 2 |
| 400 – 499 | 5 |
| 500 - 600 | 5 |
| Unable to find | 1 |
|  |  |
| **Total** | **47** |

**Secondary**

|  |  |
| --- | --- |
| **Reserve Banding £’000** | **No of schools** |
|  |  |
| 0 – 50 | 2 |
| 400 – 450 | 3 |
| 1,000 – 1,500 | 4 |
| Unable to find | 1 |
|  |  |
| **Total** | **10** |

School balances based on the latest information available total £16.489m, an increase on 2015-16 of £0.782m. Of the £16.313m then £6.315m are held by secondary schools and £10.174m held by primary schools.

It is possible that the impact on schools may not be as great as this. The figures quoted are in respect of the October 2017 census data. If there was an increase in the number of pupils on the October 2018 census then the impact would reduce. Recent trends in pupil numbers increases / decreases are tabulated below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Change in Primary pupil numbers** | **Change in Secondary pupil numbers** | **Total change** |
|  |  |  |  |
| 2015-16 | 290 | (121) | 169 |
| 2016-17 | 233 | (223) | 10 |
| 2017-18 | 110 | 19 | 129 |
| 2018-19 | 172 | 50 | 222 |

1. **Post 19th September 2018 meeting actions**

During the informal closed Schools Forum meeting of the 19th September officers advised they would undertake further modelling based on the below criteria:

* a top slice of 0.4%
* removal of the in year top slice for 2019-20 in respect of the growth and falling roles fund, the combined value is £100k.

The impact of this is a top slice of £404,573 and would result in a £71k reduction compared to the 2018-19 baseline funding.

Analysing the impact on each school with the usual caveats in terms of this is based on October 2017 pupil count etc the below summary table shows the impact on all mainstream schools:

|  |  |  |  |
| --- | --- | --- | --- |
| **Loss of funding on 2018-19 allocation £** | **No of schools - primary** | **No of schools - secondary** | **No of schools – total** |
|  |  |  |  |
| 0 (no reduction) | 0 | 6 | 6 |
| 1 – 1,000 | 23 | 0 | 23 |
| 1,001 – 2,000 | 21 | 0 | 21 |
| 2,001 – 3,000 | 3 | 0 | 3 |
| 3,001 – 4,000 | 0 | 1 | 1 |
| 4,001 – 5,000 | 0 | 2 | 2 |
| 8,001 – 9,000 | 0 | 1 | 1 |
|  |  |  |  |
| **Total** | **47** | **10** | **57** |

The informal meeting also requested officers to explore whether as an alternative to the top slice schools would be willing to meet the full cost of their exclusions. This was put to schools at the Primary Heads meeting and the Secondary Heads meeting.

The Primary Heads meeting was held on the 3rd October and the background and proposal was discussed. The overwhelming view of those present was that they would not be happy to progress and proceed on this basis and could not agree to it.

The Secondary Heads meeting was held on the 11th October and the background and proposal was discussed. All those present agreed that they would not be happy to progress and proceed on this basis and could not agree to it.

As in previous years consultation with schools took place in October and November 2018 in respect of the proposed changes to the funding formula and this covered the proposed top slice from the schools block to fund pressures on the high needs block. The usual caveat that at this time of the year the financial data shown will be based on old year student number data remains.

The 3 sessions were held on the 16th and 17th October and the 7th November. The sessions were attended by 21 primary schools and 1 secondary school. Copies of the slides and the consultation questions were made available to all schools with a deadline for comments of the 12th November. To date five formal responses have been received however each of the sessions generated a good debate. The general view is that whilst not pleased they appeared to accept the rational and logic presented together with the fact there were no obvious further actions the Council could undertake in the short term.

1. **Conclusions**

Continuing demand and cost pressures within high needs have resulted in a position where if action is not taken the DSG Account will go into deficit in the near future. Given the increasing number of Councils facing this position the DfE has introduced in its latest guidance that authorities will need to report on how such a deficit will be addressed and the account brought back into balance.

Doing nothing is not an option and even the actions the Council has laid out in this report have time lags and will not result in savings in 2018-19 and may not result in full year effect savings in 2019-20. This, and should demand increases continue at their recent rate will result in further cost pressures on the DSG Account.

The option of the top slice would assist in providing high needs funding whilst the full savings took effect.

If unplanned the requirement to prepare a plan to bring the DSG Account back into balance may result in rushed decisions. Inevitably any such plans are likely to result in service reductions, increased charges to schools where this is possible etc or a combination of these. Further work would need to be undertaken to determine the possible options.

The Council acknowledges that a request to top slice the schools block by up to 0.5% to support high needs costs will not be popular. It appreciates that although funding has been protected in cash terms there have been real term pressures such as increasing staff, superannuation and utility costs for example.

Based on the work at this point in time it is believed that in the absence of a top slice if there is not a substantial reduction in demand then all the DSG contingency will be used within the 2019-20 financial year. This is not considered a sensible and prudent financial approach. As stated above in the operational guidance for 2019-20 published by the DfE they have advised that they will be requiring those local authorities who are reporting a DSG deficit through their S251 returns to produce a report which will need to be discussed with their Schools Forum detailing proposals to bring their DSG account back into balance.

The Council is taking steps to control and reduce spend as detailed in Para 4 above however the reality is that these will not deliver any significant savings in 2018-19 and the savings may not be enough to counteract the trends in demand should these continue.

The Council has considered the option adopted by some other Local Authorities of requesting an additional contribution from mainstream schools when a pupil is permanently excluded. This contribution is over and above that permitted by the regulations mainly AWPU and the associated deprivation, prior attainment and EAL (English as an additional language) elements of funding etc. The reason that the Council has decided not to pursue this option of requesting an additional contribution is that it is not enforceable through the regulations and therefore unless all mainstream schools agreed they are not obliged to pay.

1. **Next Steps**

If the Schools Forum agrees to the top slice then the proforma return to the DfE will reflect this decision. It should be noted that the decision it is for one year only. Any further requests for future years would need to come back to the Forum.

Should the Schools Forum not feel able to support a top slice then subject to the views of the Director of Finance and the Director of Children’s Services the Council may apply to the Secretary of State for Education for them to adjudicate on the matter. In making their decision the Secretary of State would have regard to the following evidence:

|  |  |
| --- | --- |
| **Category** | **Evidence** |
|  |  |
| Previous Block Movement | No previous movements between the DSG blocks have taken place as noted in the report, Para 3 (a) first paragraph |
| Repeating last year’s requests  | No request was made to top slice in 2018-19 |
| Breakdown of specific budgets pressures that led to the demand for transfer | See appendix A |
| Strategic Financial Plan | See Para 4 |
| Planning and review | See Para 4 |
| Health and Social Care budget | Contributions have been received in previous years. Contributions would be sought where children has complex health needs but the placements today are more behavioural issues |
| Funding of HN students in mainstream provision |  |
| Impact of transfer on Schools Block | See Appendix C |
| Results of the consultation | This report will be issued to schools following the Forum meeting |

1. **Recommendations**

It is recommended that Schools Forum agree to a 0.4% top slice of the Schools Block to be transferred to the High Needs Block

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7th November 2018