

Committee:	Schools Forum
Meeting Date:	15 th October 2019
Title:	The High Needs Block – an update on current expenditure and future activity
Author:	Gemma Morgan/Judith Mobbs
Decision making / consultative / information:	Information
Who can vote?	Not applicable

What is the Forum being asked to decide?

1. To receive an update on the continued significant pressures on the DSG High Needs Block due to rising numbers and complexity of children and young people with Special Educational Needs and Disabilities (SEND); a lack of local specialist education placements and the impact of the fairer funding arrangements for high needs funded pupils in mainstream provision as part of the new high needs funding.
2. To be updated on the SEND Capital Programme and its progress.

Reason for recommendation

3. To update Schools' Forum members on the continuing significant and escalating pressures on the high needs block following the report in July 2019.
4. To update Schools' Forum on the latest position on the SEND Capital Programme.

Who will be affected by this decision?

5. This situation affects all education providers in Suffolk.

Main body of the Report

Summary of main points

6. As previously reported, Suffolk remains significantly underfunded in its high needs block compared with other local authorities. If Suffolk were receiving the same £ per head of the 2-18 population average funding received by local authorities outside of London, the High Needs budget for Suffolk would be £8.8m higher than it currently is – which would mean that Suffolk would be managing a balanced budget, at a time when many higher funded Las are unable to do so.
7. The outturn position for 2018/19 financial year was a £3.5m deficit in the DSG high needs block. This is projected to double to £7m in 2019/20 however, this projection does not take into account the recent announcement of additional funding for SEND learners, which will have some impact on reducing this figure. Final details of this have not yet been released. Regardless of the likely additional funding it is expected that the outturn for 2019/20 will result in an overall level of deficit in the DSG that cannot be sustained.
8. As outlined in the July report, Suffolk is in the midst of a significant transition in its SEND funding system and at the point when there is most pressure on the current specialist offer, without new placements yet coming online. Therefore, we believe that we are reaching a position where our costs have reached a peak for the current level of demand, which will not reduce until we have rebalanced funds through transitional protection arrangements and the planned new settings across Suffolk have been opened (starting from September 2020).
9. Suffolk CC have committed to investing up to £45m in the creation of over 800 specialist places across Suffolk between 2020-2025. Once these begin to be filled, we will start to see a reduction in the commissioning of Independent Specialist Places. This will result in a reduction in the average cost per head for specialist placements and help to address some of our increasing demand. Modelling exercises are being undertaken currently to determine exactly what demand and costs savings can be projected.

The National Picture

10. As mentioned in the July report the DfE launched a call for evidence, a further acknowledgement that the SEND funding system nationally is in crisis. Suffolk responded to the evidence call which closed on the 31st July 2019, and we await the outcome of their findings. The current Government has indicated a review of SEND is likely – once current political agendas return to domestic matters.
11. Recently Government announced an increase in schools' funding of £14bn between now and 2022/23, this will be applied cumulatively over 3 years. They also announced an increase of £700m of SEND funding for one year. It has been confirmed that this funding will be distributed as per the current funding methodology and therefore historical inequities will continue. This

means that the benefit to Suffolk will be less than had been hoped. Further information on this announcement can be found at:

https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-09-09/HCWS1828/?utm_medium=email&utm_source=govdelivery

High Needs Expenditure

12.As reflected in the paper Forum received at the July meeting, the High Needs Block is facing an overspend position of over £7m for 2019/20, which is double the overspend from 2018/19. This increase in the overspend is due to an increase in the number of children we must place in Independent Specialist Placements and growth in commissioned placements in the local offer, combined with the full year effect of implementing the uplift in funding for children placed in mainstream schools. This is not due to cost escalation in the independent sector, although we are coming under significant pressure to increase fee payments.

Implementation of new Suffolk High Needs Funding System

14.In July we explained that we are moving all settings onto the new funding system by September 2019, we have achieved this and will finally confirm funding bands for our FE pupils by the end of October 2019.

15.As previously stated we expect there to be a cost pressure associated with the implementation of the new funding system and we believe this to be across the next 5 academic years. We are implementing Transitional Protection to support us to manage the increase in funding required. (As endorsed by Schools Forum in January 2019). The below table demonstrates the additional pressure across the next 5 years:

Provision Type	Additional Expenditure by Academic Year				
	Year One	Year Two	Year Three	Year Four	Year Five
Special Schools	£ 170,692	£ 245,576	£ 369,293	£ 550,797	£ 795,971
PRUs	-£ 117,877	-£ 235,753	-£ 353,630	-£ 471,506	-£ 589,383
SSCs	£ 549,900	£ 765,500	£ 765,500	£ 765,500	£ 765,500
Total	£ 602,716	£ 775,323	£ 781,163	£ 844,791	£ 972,088

16.We are currently looking at ways of reducing this cost pressure and our overspend in the short term, as we will be expected to submit a DSG recovery plan to the DfE if the overspend continues to increase. These options sit alongside the transformation work we are doing to manage down cost in the medium and long term through earlier intervention and reduced placement costs. Therefore, we are exploring the following:

- **Review of the funding band rates.** Following the first year of moderation we have taken sample cost data from across all high needs bands to assess the actual costs associated with supporting children and young people in each band. An early review of this work indicates that most bands are reflective of average costs and a fair allocation. Only Band C appears to be generous. However further work is needed to fully analyze this data. We will bring this back to November Forum having first reviewed at the High Needs Working Group.
- **Transfer Funds from the Schools' Block.** A second option would be to ask Schools' Forum to agree to a budget increase via an on-going transfer of funding from the Schools Block to the High Need Block. However, it would be prudent to wait until further information on our increase in funding from Government. As previously mentioned, we are awaiting confirmation about the level of funding we will receive from the £700m increase in SEND funding. This announcement will inform our future budget position and support our financial recovery moving forward.

SEND Capital Programme

17. Suffolk County Council's Cabinet have agreed to capital borrowing of up to £22m over 2 years as part of a £42m programme, to support the development of over 800 new specialist education places within Suffolk. As previously mentioned, this programme will be rolled out over a 5-year period between 2020 and 2025 and phased to match demand. It will include the establishment of 3 further new specialist schools; up to 36 specialist units attached to mainstream schools and the establishment of an in-county specialist setting for children with the most complex needs at Hampden House PRU.
18. Since the July report all expressions of interests for the specialist units have been received and the evaluation of these are currently underway. We are pleased with the response and we are confident that we can deliver our plans up to 2021. We intend to open 11 specialist units in 2020 and a further 13 in 2021.
19. These specialist units will create 180 places in 2020 and a further 216 places in 2021. As part of the Capital Programme we will open a SEMH school in Bury St Edmunds and a C&I school in Bungay. We expect these schools to open across the next 2-3 years and will offer places to children and young people currently in Independent Specialist Provision.
20. Alongside our Capital Programme and through the DfE scheme we are opening two Special Free School in Ipswich, one in Lindbergh Road to open in September 2020 and one on Woodbridge Road which will open in 2021 or 2022.

These schools will both address our increase in demand and achieve cost savings per place.

21. This capital investment will result in an increase in places across Suffolk. This will result in a reduction in expenditure on Independent Specialist Placements, inside and outside of Suffolk and bespoke provision commissioned across the county. We should start seeing a reduction in average cost per place as soon as 2020/21. Independent Specialist Placements are our most costly settings and, in some instances, cost us in excess of 50% more than our locally commissioned provision. These cost savings will have a direct impact on our overspend and we are currently modelling exactly what these cost savings will look like. Once we have completed this modelling, we will return to Schools Forum, in November, to share this modelling.
22. Currently we are undertaking a modelling exercise at pupil level with all existing children and young people to understand firstly, which children and young people can move into the new units and schools – and when. We will look at those in Independent Specialist Places initially to ensure that we move those in the costliest settings first – but only at appropriate break points in their education and if this is deemed appropriate for the individual pupil. For example, we will not move any children after the start of Year 9 until completion of year 11, so as not to unsettle them at this crucial time within their education.
23. Work is being carried out by our Specialist Placement Officer to identify the individuals and our Family Services Team are working with the families to support the transition. Our Provider services are also managing the conversations with the existing providers to ensure they are aware of the transition period and the number of individuals we are transitioning from and to their settings. Once we have filled places with those in our Independent Specialist Placements whose needs can be as well or better met in the local offer, we will then fill any remaining places with new pupils who have a high level of need.
25. The second piece of modelling we are undertaking is to consider all activity within the SEND Strategy that impacts demand and do our best to model exactly what impact each piece of work is or will be having and over what timeframe. We are currently considering whether projects will result in cost avoidance, cost reduction or will meet our increasing demand. This piece of work will be developed over the coming months and we will involve High Needs Working Group in this and share with Schools' Forum at a later date.
26. Once the modelling exercises have been completed, and the outcome of the additional funding announcements are known we will come back to Schools Forum to discuss next steps and options.