

HIGH NEEDS BLOCK FUNDING – THE CHALLENGES FOR CAMBRIDGESHIRE

To: **Cambridgeshire Schools Forum**

Date: **14 December 2018**

From: **Jonathan Lewis – Service Director - Education**

Purpose: **To provide Schools Forum with an overview of the challenges around high needs funding, both nationally and in Cambridgeshire. The paper also suggests area of review within high needs spending in order to remain within the funding Cambridgeshire receives from the high needs block.**

Recommendation:

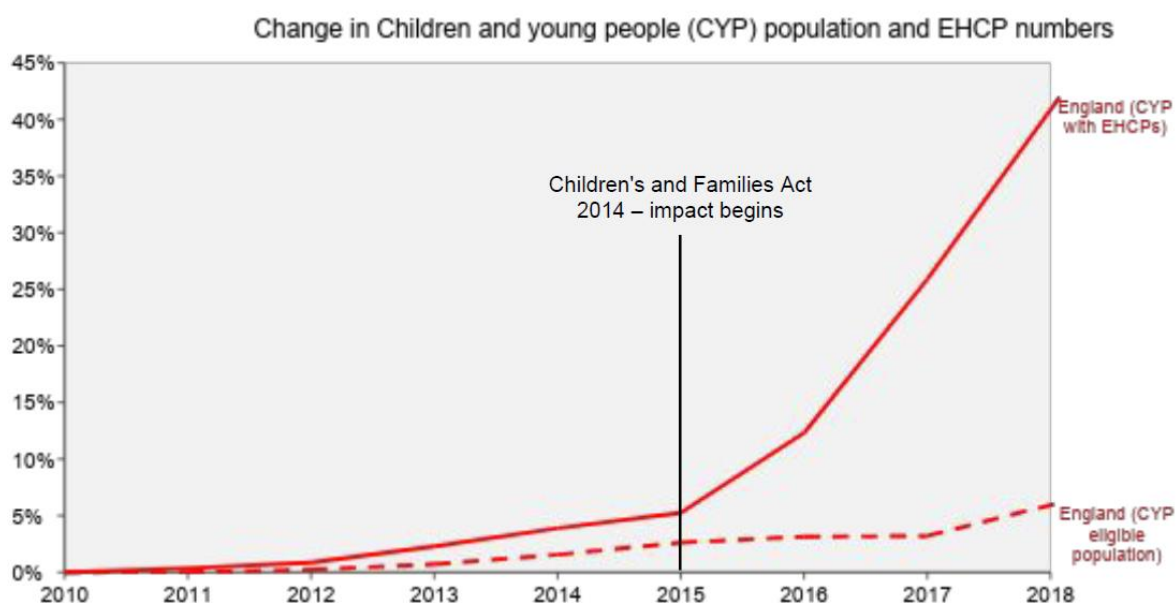
- a) Schools Forum are asked to note the position around high needs funding – both nationally and within Cambridgeshire.**
- b) Schools Forum is asked to continue to work with officers to consider areas where efficiencies can be found and demand for high need services may be reduced.**

1.0	INTRODUCTION AND CONTEXT					
1.1	In July 2018 the Department for Education (DfE) published its update to the National Fair Funding for schools and high needs. The Dedicated Schools Grant (DSG) continues to be ring-fenced. There are now four separate blocks as set out below with the introduction of the Central Services Schools Block in 2018-19 (see the table below). The Schools Block continues to be ring-fenced with one exception that the Authority has the ability to move up to 0.5% of the Schools Block to other blocks after consultation with schools and with the agreement of the School’s Forum. The recent consultation has made this transfer request.					
		DEDICATED SCHOOLS GRANT				
		SCHOOLS BLOCK	CENTRAL SERVICES SCHOOLS BLOCK	EARLY YEARS BLOCK	HIGH NEEDS BLOCK	
		This Block funds: - Individual school budgets; - Services de-delegated from maintained school budgets and The Growth fund	This Block funds: - Historical commitments previously agreed with Schools Forum such as the Public Sector Network (broadband) contract; and Ongoing responsibilities of the Authority such as Admissions, the servicing of the Schools Forum, copyright licenses and services to meet statutory responsibilities	This Block funds: - The 2 year old Early Years single funding formula; - The 3 and 4 year old Early Years single funding formula (universal and extended entitlement); - The Disability Access Fund; - Maintained Nursery school supplementary funding; and Any central expenditure by the authority to support early years services	This Block funds: - Special school budgets; - Special schools outreach; - Top up funding for pupils with High Needs; - Out of County SEN placements; - SEND specialist services; - Early Help District Delivery Services; - Alternative provision such as PRUs, High Needs Units; - EOTAS devolution; and Commissioning Services	
1.2	In recent years, the high needs block has been under significant challenge as a result of a number of issues (outlined in section 2 of this report). The 2018/19 budget includes £1.2m of transfers from other funding blocks (£0.5m from Central Block and £0.7m from the Schools Block). The financial position of the high needs block in Cambridgeshire can be found in the table below -					
		Year	High Needs Block Income	High Needs Budgeted Expenditure	High Needs Actual Expenditure	Overspend Value
		2014-15	63.8	60.5	61.8	£1.3m
		2015-16	64.1	61.9	63.2	£1.3m
		2016-17	64.9	63.0	65.7	£2.7m
		2017-18	64.3	65.3	70.0	£4.7m
		2018-19	65.9	67.1	73.2	£6.1m (latest estimate)
1.3	These figures are demand driven so may change before the end of the financial year so further work is required to refine our estimate. The accumulated deficit on the DSG is					

	likely to be in the region of £6.7m based upon current estimates. This equates to around 10% of spend.
1.4	<p>Based on the Dedicated Schools Grant (DSG) conditions of grant there are three options when there is a deficit carried forward:</p> <ul style="list-style-type: none"> • The local authority (LA) may decide to fund all the overspend from its general resources in the year in question. • The LA may decide to fund part of the overspend from its general resources in the year in question and carry forward part to the schools budget in the next year or the year after that. • The LA may decide not to fund any of the overspend from its general resources in the year in question and to carry forward all the overspend to the schools budget in the next year or the year after that.
1.5	A local authority needs to obtain the consent of the Schools Forum, or failing that the Secretary of State, to fund this deficit from the schools budget. Given the financial pressures the LA is currently not in a position to consider meeting the overspend from general resources.
1.6	Additional to these conditions, the DfE have recently published a consultation on the implementation of new arrangements for reporting deficits of the dedicated schools grant. In the last two years the number of authorities reporting a cumulative DSG deficit has substantially increased. Because of this, the DfE have decided that there is a need to tighten up the reporting arrangements. Through conditions of grant the DfE will require a report from all local authorities that have an overall cumulative DSG deficit of 1% or more at the end of the 2018 to 2019 financial year, outlining their recovery plans. It is likely with the financial position outlined in 1.2 that Cambridgeshire will be required to submit a recovery plan.
2.0	THE NATIONAL CONTEXT AND THE CHALLENGE IN CAMBRIDGESHIRE
2.1	<p>The national context around high needs funding is significant. In a recent letter to the Secretary of State for Education, the Society of County Treasurers and the Society of London Treasurers wrote –</p> <p><i>“The majority of Councils that we represent are in real difficulty with many not only reporting in-year deficits of costs against allocated funding, but also with deficits being carried forward on their balance sheets with no prospect of these positions being improved. Much work is being done by all Councils to jointly share ideas and best practice to try and minimise demand and costs, but this isn’t going to be anywhere near enough to recover the position. There is only limited scope for moving money out of direct school budgets to help with this pressure, and in any case with many schools finding it difficult to cope with the new National Funding Formula this isn’t an ideal or sustainable solution.”</i></p>
2.2	The graph the group produced (see over) shows the significant increase in demand for Education and Health Care Plans (EHCPs). It shows that since the introduction of the Children and Families Act 2014 there has been a 35% increase nationally in the number of EHCPs, and yet the eligible child population over the same period has only increased by 1% nationally. Research recently carried out by both Societies show that 94% of surveyed Counties are expecting a deficit on the DSG high needs block this year and for London the figure is 88%, with 100% expected to be in deficit the following year. Many authorities are already carrying forward cumulative deficits from the previous year, which is predicted to rise to almost £250m for those authorities by the end of this year.

Appendix A

The no. of CYP with an EHCP has risen significantly across England – particularly since 2015



- The number of children and young people with an EHCP/ Statement has increased by 40% nationally since 2010/11
- The eligible child population has increased by 3% nationally since 2010/11

2.3 F40 have identified similar challenges in a presentation they made in MPs in Parliament in October. They identified that the 'funding crisis' was created in part by the continued use of historic funding levels and the short-term attempts to fix the problem are woefully inadequate. F40 sought an immediate injection of new funding, estimated on increased costs and demand since 2015, of at least £1.5bn per annum being required. They also suggested there needed to be a review of SEN policy and guidance to help manage down demand more effectively.

2.4 The challenges nationally are significant and the Department for Education recently highlighted the following areas they felt were contributing to the pressures on the high needs block -

1. A higher proportion of children and young people in more specialist provision, which costs more, driven in part by mainstream schools' behaviour and accountability systems.
2. A shortage of special school places leading to more reliance on the (more expensive) independent sector.
3. More EHC plans in the 0-5s cohort, and enhanced expectations of continuing education beyond the age of 19.
4. Greater complexity of need – e.g. more identification of autism and development of specialist provision to cater for children with such needs, mental health needs more apparent.

2.5 In addition, from a Cambridgeshire context the following challenges have been forthcoming which are considered to contribute to the high needs overspend position -

5. Demographic Increases – 4% increase in our population between 2011 and 2016 with a corresponding increase in SEND needs. 7308 in reception in 2018 compared to 5,515 in year 11 so this trend is likely to continue.
6. The historic nature of funding we receive in Cambridgeshire for high needs has a significant impact especially where demand is changing. Currently 50% of our funding based upon historic funding not reflecting current volume or complexity of

	<p>need.</p> <p>7. The general level of schools funding in Cambridgeshire remains low and this places significant strain on schools to support children with SEND who might be support below the level of EHCPs.</p>
2.6	<p>The data we have analysed backs up these trends and include –</p> <ul style="list-style-type: none"> • The number of EHCPs has risen from 3,099 (2015) to 4,221 in 2018. In additional the volume of requests for statutory assessment has grown from 191 in 2013 to 544 in 2018. • Our historic data and projections show the number of EHCPs continues to rise while those children with the category of 'SEND Support' is declining. This may suggest that the complexity of need is changing or due to the low levels of funding in Cambridgeshire schools are having to seek financial support. • We have seen increases in particularly areas of needs. The main change is in Autism Spectrum Condition (ASC) where the increase in identified need could be as high as a 50% increase from 2014 to 2022. Other groups of need which have seen significant increase are Social, Emotional and Mental Health Difficulties (SEMH), Moderate Learning Difficulties (MLD) and Speech, Language and Communication Needs (SLCN). • Our spend supporting young people in Further Education settings has increase from £3.6m in 2015 to £7.3m in 2018. This has been impacted by the extended age range of the EHCPs to 25 and this demand will continue to increase for at least the next 3 years as the remaining age cohorts to 25 become populated. We estimate that compared to the funding we received for this additional responsibilities with the SEND reforms, we have a shortfall in funding of around £3.5m. • The number of special school places in Cambridgeshire has increased from 967 in May 2015 to 1111 in May 2018. However our relative density of special school places remains below our statistical neighbours and our plans to add a further 3 special schools is required to meet the current and future level of demand. • The number of placements in independent special schools or other local authorities special schools remain broadly static from the previous financial year but the cost of the placement has increased by £500k which suggests the complexity of needs are increasing as birth survival rates and medical science improves.
2.7	<p>In order to highlight these challenges, discussions have taken place with all headteachers groups and as part of the two consultation sessions on the budget proposals undertaken in October. We have also held two workshops with Schools Forum to consider the areas in which we spend our high needs funding. The proposed areas for review are -</p>
2.8	<ul style="list-style-type: none"> • A focused review of all externally commissioned school places to look for volumes discounts, checking whether current provision matches needs and potential partnership arrangements for particular areas of need. • Undertaking a Full review of internal services provided to schools with an expectation of savings including review the statutory requirement for services in these areas. • Challenge to Health and Social Care on the level of their contribution for children's education funded by the high needs block. • Transition all children currently receiving tuition out of school into a suitable education provision and stop any further tuition unless commissioned short term by schools with a plan for re-integration back into schools. • Review the level of spending on alternative provision including the current behaviour and improvement partnership (BAIP) arrangements and the model of support for primary schools. Our current level of spend in these areas is above our statistical neighbours.

	<ul style="list-style-type: none"> • Review decision making panels and process to ensure there is increased rigour on requests for support and that all options are considered before further funding is granted. However the system needs to be more responsive to need and it may be appropriate to consider whether funding is moved to support children and young people earlier rather than going through a statutory process. • Undertake a full review of all top of funding for EHCPs to ensure that thresholds are appropriate and there is the correct level of support for every child. • Develop a full action plan for areas identified in the sufficiency of SEND provision. We need to develop a continuum of support for pupils locally including using the expertise our special schools have to support inclusion. This will avoid the need for placements in independent special schools. • Investing in improving and sharing of data – supporting the decision making we need to take and ensuring we are consistent in our approach across the county. • Reviewing our early help and SEND offer to ensure we meet the needs of children across the county.
4.0	NEXT STEPS
4.1	<p>Clearly this is a high emotive and complex area and the next stages of the development of a plan to address the overspend needs to be considered in an appropriate way. It is therefore proposed that the next steps are -</p> <ul style="list-style-type: none"> • Officers will continue to work with the schools forum working group need a steer on the areas they can explore in further detail in light of the information in this report and the presentation shared previously. This will including short term, medium term and longer term proposals to address the challenges we face. • At the appropriate time, we will consult with all stakeholders including schools and parents on any proposals we need feedback on before considering any changes to funding. • The challenge of our overall funding level remains. We need to consider how Cambridgeshire's Schools Forum may make representation to the Secretary of State or to our MP's on the impact these changes may have on children and our schools. It will be important to engage parents in this discussion.

Source Documents	Location
<i>Fair Funding for Schools: PowerPoint Presentation to MPs 15 October 2018 (F40)</i>	<i>Shire Hall, Cambridge</i>
<i>Letter to the Secretary of State from the Society of London Treasurers and the Society of County Treasurers re. Dedicated Schools Grant (DSG) - High Needs Funding – 27th November 2018</i>	<i>Shire Hall, Cambridge</i>