

## **NATIONAL SCHOOL FUNDING FORMULA 2018/19**

### **HIGH NEEDS CONSULTATION FEBRUARY 2018**

#### **1.0 SUMMARY**

This consultation paper sets out the expected financial position for Herefordshire's high needs budgets for three years from 2018/19. High needs expenditure, particularly high needs top-ups paid to schools, is forecast to overspend by £1m in 2018/19, £1.5m in 2019/20 and £2m in 2020/21 based on current trends. This consultation paper sets out proposals to ensure expenditure remains within budget for the next two financial years whilst a fundamental review of high needs services and costs can be undertaken.

#### **1.1 Consultation key dates:**

- You are encouraged to respond by 12 noon, Wednesday 28 February 2018.
- Schools Forum's Budget Working Group will consider the responses and initial short term cost reductions will be recommended to Schools Forum on 16<sup>th</sup> March, for Cabinet Member approval and implementation from 1<sup>st</sup> April 2018.

#### **2.0 HIGH NEEDS FUNDING PROPOSALS**

2.1 High needs funding in Herefordshire remains under pressure. These pressures are also being experienced in many other Local Authority areas across the country. Particular pressures are the increasing numbers of children needing places in special schools and increasing numbers of children with EHC plans requiring top-up funding. A number of graphs setting out expenditure trends of key high needs budgets are set out in the appendix 1. Herefordshire has previously had to rely on small increases in the high needs block, although we will benefit by up to 3% in the government's high needs funding formula for 2018/19.

2.2 The high needs budget is forecast to overspend in 2017/18, and this overspend is set to accelerate in 2018/19 and in the years beyond. The overspend in 2018/19 is estimated at £1m, rising to £2m by 2020/21 if current expenditure trends continue and no action is taken. There are some difficult choices ahead which may include the transfer of approx. £0.5m of funding from schools to high needs in 2019/20. Subject to further consultation and as an interim measure, Schools Forum have agreed to consider the transfer of the one-off surplus funding that was not required to implement the schools national funding formula in 2018/19, so that further work can be undertaken to determine options to achieve the necessary savings. The council will not permit the high needs budget to continue to spend beyond the available resources, this view is strongly endorsed by Schools Forum and the Budget Working Group.

2.3 The key aspects of the high needs budget are set out overleaf.

### 2.3.1 Expenditure trends

	<b>Budget 17/18 £'000</b>	<b>Forecast 17/18 £'000</b>	<b>Forecast 18/19 £'000</b>	<b>Forecast 19/20 £'000</b>	<b>Forecast 20/21 £'000</b>
Home Hospital Hub	278	278	303	328	353
Independent out county places*	412	570	500	525	550
Outreach - new service	-	-	50	50	50
Unit top-ups	209	213	250	268	290
Unit places	400	400	410	420	430
Mainstream top-ups	1,285	1,808	2,136	2,376	2,616
Special top-ups	3,203	3,083	3,120	3,264	3,408
<b>Total</b>	<b>5,787</b>	<b>6,352</b>	<b>6,769</b>	<b>7,231</b>	<b>7,697</b>
<i>Predicted overspend</i>		(565)	(982)	(1,444)	(1,910)

#### Funding Adjustments

Return of Barrs Court monies	50			
Less budget surplus	324			
Less assumed extra budget	376	376	376	376
<b>Savings target</b>		<b>232</b>	<b>1,068</b>	<b>1,534</b>

\* The independent places expenditure is totally dependent upon individual pupils and will vary significantly. These forecasts therefore could be an under estimate and will depend on future tribunal cases

### 2.3.2 2018/19 Savings Plan

	<b>Forecast 18/19 £'000</b>	<b>Forecast 19/20 £'000</b>	<b>Forecast 20/21 £'000</b>
Revised tariffs effective 1 <sup>st</sup> April 2018:			
-9.50% - mainstream reductions	203	226	249
0.50% - MFG protection re. special schools	(16)	(16)	(17)
	<b>187</b>	<b>209</b>	<b>231</b>
Other proposed savings:			
Resource unit places (DfE savings)	160	160	160
Increase PRU charge to £7,000 from Sept 18	25	25	25
Reduce SEN support Services	50	50	50
Increase EAL SLA	15	15	15
Increase KS3 PRU/primary intervention charges	25	25	25
Increase primary intervention charges to recover a greater share of place costs	0	50	50
<b>Total from increasing income</b>	<b>275</b>	<b>325</b>	<b>325</b>
<b>Proposed total savings 2018/19</b>	<b>462</b>	<b>534</b>	<b>556</b>

### 2.3.3 High Needs Protection Scheme – future choices

The council's view is that the current scheme of providing additional funding for schools with above average numbers of high needs pupils is only affordable if funding is made available from the schools block. All schools are expected to find the first £6k for a high needs pupil from their delegated budgets, paid from the schools block. Therefore, there is a rationale for also supporting the protection scheme from the schools block. To do this it is proposed to top slice school budgets by 0.5% from April 2019 so that the cost of the protection scheme is matched by funding from all school budgets

### 2.3.4 Forecast surplus/deficits on the high needs block

	Forecast 18/19 £'000	Forecast 19/20 £'000	Forecast 20/21 £'000
SEN protection funded by 0.5% schools budget top slice	0	300	300
Surplus/(deficit) over 3 years	230	(534)	(978)
Carried forward	-	230	(4)
<b>Cumulative surplus/(deficit)</b>	<b>230</b>	<b>(4)</b>	<b>(682)</b>

## 3.0 SAVINGS PROPOSAL 2018/19

3.1 The savings set out above are essential in balancing the high needs budget in the next two years and include the following proposals;

#### Proposal 1: revisions to the high needs tariffs

3.2 High needs tariffs to mainstream and special schools will be revised from 1st April 2018. Each tariff band will be split into two and the funding amended to reflect the assessment points so that there is a higher and lower tariff in each band with funding at an appropriate level. Pupils with the highest points in each tariff will continue to receive the same funding to reflect the same level of need. The proposed new tariff structure from 1st April 2018 is set out below:

Tariff	Assessment Points	Funding 2017/18 (£)	Revised Tariff	Assessment Points	Funding 2018/19
Local Offer	0-9	0		0-9	0
A	10-19	1,360	A1	10-14	680
			A2	15-19	1,360
B	20-29	3,349	B1	20-24	2,355
			B2	25-30	3,349
C	30-49	5,700	C1	31-39	4,525
			C2	40-49	5,700
D	50-69	9,170	D1	50-59	7,435
			D2	60-69	9,170
E	70-89	12,950	E1	70-79	11,060
			E2	80-89	12,950
F	90+	17,260	F1	90-99	15,105
			F2	99+	17,260

### Proposal 2: special schools, resource units and pupil referral services

- 3.3 The revisions to the assessment points and tariff funding in the table above will apply to special schools, resource units, and pupil referral services. However, the Minimum Funding Guarantee (MFG) of 0.5% for 2018/19 will apply to special schools and resource bases for 2018/19. It is expected the MFG will continue at 0.5% for 2019/20 and become negative thereafter, as the government implements the “hard” national funding formula. The effect of the tariff changes will therefore have a more gradual impact on the special schools.
- 3.4 Tariffs for the pupil referral service are fixed until January 2019. After which time, the current contract with HIBOS ends, the system of tariff allocation will need to be reviewed. This will have the purpose of reducing the current cost of the service as a further contribution to the savings plan.

### Proposal 3: transfer of £324k surplus funding from the schools block to high needs

- 3.5 Given the significant overspend projected for the high needs budget, Schools Forum agreed to transfer £324k surplus funding in the schools block to high needs in order to provide for greater time to make considered decisions about the future of the high needs budgets. It can be seen from the table in section 2.3.4 that this surplus funding does provide for a further 12 months in order to address future overspends. The council will develop options for a fundamental re-shaping of high needs services during this period and will consult with schools in due course.

### Proposal 4: increase charges for services to schools

- 3.6 Increased charges will be set for the Pupil Referral Unit (PRU) KS3 and primary intervention services from April 2018. These will be agreed by the council with the Herefordshire Integrated Behaviour Outreach Service (HIBOS). This will also include primary schools bearing a greater share of the £80,000 cost for intervention places at Brookfield School. Schools will be informed of the new charges prior to the summer term.
- 3.7 The charge for a secondary KS4 PRU placement will increase to £7,000 from September 2018 as a one-off charge. The full cost of a PRU place is just under £16k per annum.

### Proposal 5: SEN protection scheme to be funded from a top-slice of the schools budget from April 2019 onwards

- 3.8 The council regards it as essential to provide a scheme that meets the additional threshold costs incurred by schools, mainly primary, that are required to admit higher than average numbers of pupils with high needs. Currently the scheme limits the number of threshold costs to a cap of £120 per pupil; for a 100 pupils at primary school this is a cap of £12,000 which is equivalent to 2 high needs pupils. Threshold costs above this limit are reimbursed to the school on a termly basis. It is recognised that many schools regard the continuation of this scheme as very important. It is also recognised that without such a protection scheme, there could be additional pressure to find specialist places.

- 3.9 All of the £6,000 high needs threshold funding is already in schools as it is included within the national school funding formula. However the council's view is that the distribution of high needs pupils is not always proportionate to the notional SEN funding within each school's delegated budget. Given the exceptional demand pressures on the high needs budget, we can see no alternative to funding the continuation of this scheme other than from a top-slice of school budgets. The cost of the protection scheme is £300k and the cost is increasing in line with rising numbers of high needs pupils. The proposal is that the scheme is extended to secondary schools and Schools Forum be asked to agree the full 0.5% top-slice for 2019/20. DfE school funding regulations permit such a top-slice to be agreed by Schools Forum for the benefit of schools and pupils.
- 3.10 The alternative is that the protection scheme is either abolished or severely limited, for example by increasing the cap to £150 or £180 x the number on roll. This is equivalent to asking all schools to absorb additional threshold costs.
- 3.11 We recognise that schools will have differing views about this scheme and how it should be funded, if at all. We welcome any constructive views regarding funding alternatives that would allow this scheme to continue in 2019/20, with or without a top-slice of school budgets.

#### **4.0 HIGH NEEDS CONSULTATION TIMESCALES**

- 4.1 The issues set out in this consultation paper are an important first step in shaping the future of high needs funding in Herefordshire. Your views on how we can all use the available monies to best support pupils with high needs in Herefordshire are an important contribution to the reshaping of high needs services over the next two years. Please ensure you return the high needs budget consultation form by 28<sup>th</sup> February 2018 to express your views. Most importantly please provide an alternative approach if you are not in agreement with the proposals contained in this paper. There will also be further opportunities to comment in due course.
- 4.2 The high needs budget process and expected timeline is:
- a) The consultation will be supported by briefings for head teachers and governors during the spring term. (Please note: not all these briefings are before the consultation closure date).
  - b) Consultation closes 12 noon, Wednesday 28<sup>th</sup> February 2018
  - c) The Budget Working Group will review the responses to the consultation in early March and make proposals to Schools Forum
  - d) Schools Forum meets on 16<sup>th</sup> March 2018 to recommend the high needs budget for cabinet member approval.

## 5.0 FURTHER INFORMATION

5.1 If you have any queries or require further information on anything contained in this consultation paper, please contact either:

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