

**Report of High Needs Block Review working group, Children and Families Services**

**Report to the Director of Children and Families**

**Date: January 2018**

**Subject: Outcomes of the review of the High Needs Block of the Dedicated Schools Grant**



Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The High Needs Block (HNB) of the Dedicated Schools Grant (DSG) supports educational provision for pupils and students with special educational needs and disabilities (SEND) from 0 to 25. Leeds’s High Needs Block, in common with many around the country, is under considerable pressure due to increasing demographic growth and complexity of children’s needs and has been overspent in recent years. It is necessary to implement measures to reduce spending to bring it back in to line with available funding and ensure sustainability.
2. A review of the HNB and current spending has been undertaken. Possible measures for achieving savings were identified in partnership with colleagues across Leeds schools and education settings. The identified measures have been rigorously discussed and further refined by the Leeds Schools Forum. Their ultimate recommendations are presented here.

**Recommendations**

In line with the views of the Schools Forum after rigorous debate over the course of several meetings, the Director of Children & Families is recommended:

- To cease to fund the Teenage Pregnancy Support Service from the High Needs Block, and fund it instead from an alternative source; please note that this was approved by the Schools Forum at November 17 after unanimous agreement from

stakeholders and has already been implemented, achieving a saving of £216k per year from the HNB. This saving has already been factored into the 2018/19 budget proposals for Children and Families.

- To revise the Funding for Inclusion (FFI) unit value to £600 (from the current £684). **This will achieve an estimated saving of £1.511m** (estimates based on position at January 18 and subject to change). This will not apply to Specialist Inclusive Learning Centres, as this would not be equitable given the disproportionate effect it would have on their budgets (as all learners therein will have complex SEND needs and are highly likely to be eligible for FFI).
- To revise the system of awarding of additional blocks of funding to mainstream schools to supplement their notional inclusion budget, where they have significant numbers of learners who have higher level support needs which will exceed costs of £6k, and who will be eligible for FFI. Currently, mainstream schools are asked to spend a minimum of 40% of their total notional inclusion budget on providing the blocks of the first £6k to meet the support needs of these learners, before any additional blocks of £6k to supplement their notional inclusion budget will be awarded. The proposed revision is to increase the minimum to 50% of the total notional inclusion budget. **This will achieve an estimated saving of £492k** (estimates based on position at January 18 and subject to change).
- In light of concerns raised at Schools Forum regarding the impact of the proposed savings on schools with significant numbers of pupils with SEND, the Council is proposing to mitigate this by applying transitional protection to limit individual school reductions in 2018/19 to 1.5% of the sum of baseline and high needs funding. Capping losses in this way will reduce the savings by an estimated £62k.

## **1 Purpose of this report**

- 1.1 To summarise the findings of the recent review of the High Needs Block of the Dedicated Schools Grant, which is currently experiencing overspend; and set out its initial recommendations for reducing spending to bring it back in line with available funding.
- 1.2 To set out further analysis of those recommendations by the Leeds Schools Forum and their suggestions to further refine the recommendations
- 1.3 To set out final recommendations for measures to achieve savings and bring spending back in line with available funding, as approved by the Leeds Schools Forum, for implementation from April 2018.

## **2. Background information**

The High Needs Block (HNB) of the Dedicated Schools Grant (DSG) supports educational provision for pupils and students with special educational needs and disabilities (SEND) from 0 to 25. Leeds's High Needs Block, in common with many around the country, is under considerable pressure due to increasing demographic growth and complexity of children's needs. This resulted in a shortfall of £4.752m at the end of the 2016/17 financial year. A shortfall of £3.236m is projected for 17/18 and £4.548m for 18/19 (based on estimates; some variables are yet to be determined as we continue to work through the detailed guidance on the new national funding formula).

It was therefore agreed in May 2017 that a review should be undertaken to explore current spending and identify measures to:

- Bring expenditure back in line with estimated funding settlements in future years; and
- Comply with our duty as a LA to keep high needs spending under review, to ensure continued support for children and young people with SEND within the budgets available.

This review has been completed and its findings were reported to Schools Forum in September 2017. The review included significant consultation with stakeholders across education, who were invited to co-produce a number of possible options for reducing spending, for further consideration by the Leeds Schools Forum. The full detailed report on the review, including the options identified with stakeholders and their identified preferences amongst those options, is available at Appendix 1.

## **3 Main issues:**

Findings of the review in summary:

- The DfE HNB per pupil allocations to Leeds in recent years have been significantly lower than those of other local LAs. This is detailed on page 36 of the detailed report; in brief, the current baseline funding has been established using historic spend, which rolls forward and is adjusted for growth and other baseline adjustments set by the Education and Skills Funding Agency. We believe that this approach has led to an underfunding of the HNB allocation for Leeds, as our

situation has changed and our historical spend no longer represents our local context.

- A new national funding formula was announced in 2017, intended in part to address the disparities in funding between LAs as above by distributing funding based on need rather than historic spend. The national formula commences in 2018/19 and overall will result in an uplift in HNB funding in Leeds. However, the amount an LA can gain in funding in 2018/19 and 2019/20 is capped in the formula to 3% per annum. It is estimated that if the national formula were to be introduced without a cap on gains then Leeds would receive an additional £7m in funding in 2018/19.
- Demand for services funded by the HNB is highly likely to continue to increase as demographic growth increases. All evidence suggests that the trend of increasing numbers of children and young people with complex needs will continue. A review of specialist SEND provision currently underway in Leeds is also likely to identify a need for more specialist provision, with significant implications for the HNB.
- The majority - 87% - of the current HNB is passported directly to institutions; nearly 60% in the form of Funding for Inclusion (FFI; the Leeds approach to SEN top-up funding). This is higher than many other Local Authorities. Approximately 9% of the HNB is used by the LA to provide directly managed SEN support services to schools and settings; and a further 1% is used by the LA to commission SEN support services. The latter 2 areas of spend provide services which schools are unlikely to be able to access through other means, and in many cases the LA has a statutory duty to deliver them.
- Current overspend is projected to continue and increase further if existing funding arrangements continue. Significant areas of current and projected pressure on the HNB include:
  - Increasing demand for FFI (SEN top up funding);
  - Increasing demand for places in specialist provision;
  - Continued need for outside specialist placements; this is anticipated to decrease as the new specialist SEMH provision in Leeds is established and becomes fully operational from 2018 but remains as short-term pressure.
  - The pressures of meeting the needs of an extended age group, given that the recent Children and Families Act SEND reforms extended the responsibility of the LA for those with complex SEND needs to those aged 0 – 25 years (previously the upper limit was 19).
- Although some uplift in HNB funding will benefit Leeds as part of a new national Funding Formula, this will not take full effect for number of years and is unlikely to be sufficient to offset these pressures.
- Leeds is by no means alone in facing pressures; although many other LAs are considerably better funded than Leeds, many have reported issues. A recent survey

by the Association of Directors of Children's Services (ADCS) into HNB spend identified the following:

- Across the 85 LAs who responded, the planned high needs block budget for 2016/17 was £2.95 billion
  - 68 local authorities reported an overspend in 2016/17 totalling £139.5 million
  - The most common means of managing overspend were: utilising DSG reserves; transferring funding from the schools and early years block; and/ or carrying the high needs block deficit forward.
- LAs were asked by the ADCS about the specific issues which were driving demand and cost pressures in the high needs budget and from the received responses, three themes emerged: the increase in numbers of children with SEND related to the extension of support to young people up to the age of 25 and early identification of additional needs, particularly in the early years; increasing complexity of need; and, a lack of capacity within mainstream settings to provide a graduated response to additional needs before turning to statutory processes. ADCS has recently met with DfE officials to discuss the continued implementation of the SEND reforms and future challenges. The ADCS will continue to use the results from the survey to stress the need for continued support around the implementation of the SEND reforms and the need to address some of the unintended consequences that have emerged as a result of the reforms.
  - Various options to address the current overspend in Leeds were identified and discussed with stakeholders in the course of the review. Implications of each are analysed in the full report; in summary, options were:
    - Ceasing the atypical approach in Leeds of supplementing notional inclusion budgets in mainstream schools with additional 'blocks' of funding;
    - Changes to some aspects of funding for Area Inclusion Partnerships; including a reduction in devolved budgets, and/or claw-back of funding not used;
    - Funding the Teenage Pregnancy Support Service from an alternative source;
    - Transfer of funding from the Schools Block of the DSG to the HNB (limited to 0.5% of the Schools Block; greater sums require the permission of the ESFA);
    - Reconsidering funding for services directly managed by the LA and services commissioned by the LA; and
    - Various options in relation to FFI (SEN top-up funding), including reduction in the basic unit cost of FFI; changes to the lower 'tiers' of funding (thus raising the threshold for funding) and funding only those with EHC plans.

The most favoured of these options were as follows:

Option and potential saving per year as identified within the review at September 17	Score:	Typical Comments:
Move funding from Teenage Pregnancy Support out of HNB as part of plans for re-structure. <b>Potential saving: approx. £216 k</b>	118	'This is not a SEND specific issue'; 'I wasn't aware of this anyway – what is the logic?'
Funding for Inclusion (FFI): Change the unit value (currently £684) across all FFI bands. <b>Potential saving: approx. £300 k to £1.2 m</b> (for a new unit value of £663 or £600)	72	'Equitable'; 'Equitable and manageable'; 'Not ideal, but the least worst option'
Reduce devolved AIP allocations. <b>Potential saving:</b> Savings for 17/18 of £881k were achieved; uncertain if further savings are feasible.	47	'Quality Assurance based on outcomes is needed'; 'Evidence of value based on outcomes?'
Increase rigour in claw-back of excess balances in funding devolved to AIPs: <b>Potential saving: For 17/18, claw back of excess balances was £300k</b>	42	'Regular underspend suggests savings could be made'; 'Excess balances should be clawed back'.
FFI: reduce each tier of funding in every band by 2 units. <b>Potential saving: approx. £2.7 m</b>	41	'Seems fairest option'
Transfer funding from the schools block into the HNB (for 2018/19 only). In 17/18, £2 m was transferred. The LA may only transfer 0.5% of their schools block funding which is estimated to be approx. £2.4 m for 18/19. LAs must apply for permission to transfer any more.	40	'I think we have to do this short term'; 'Fairer as spreads the cuts across CYP without SEND as well'
Cease to provide additional blocks of funding to supplement Notional Inclusion Budgets where mainstream schools have greater numbers of CYP with complex needs. <b>Potential saving: approx. £1 m</b>	29	'Why is achievement so low (compared to other LAs?) despite this extra funding (which other LAs don't award)?'; 'This is atypical' (NB: there were also comments opposing this option.)

- The final report on the review and recommendations for making savings based on the preferred options of stakeholders as above, were shared with the Schools Forum at their October 2017 meeting. The Forum confirmed the pressing need to address the ongoing overspend and indicated broad agreement with the recommended measures; however they requested that some additional information be made available, including more detailed modelling of some of the options, and that the issues be revisited at the meeting of the Forum in November 17 to ensure rigorous, informed debate and the representation of all views.
- A further report was duly provided for the November 2017 meeting which was accompanied by a breakdown of projected individual school budgets, to identify the impact of ceasing to automatically provide additional blocks of funding to supplement notional inclusion budgets in mainstream schools; and more detailed modelling of the various options for revising FFI unit sums.
- At the November 17 meeting, Schools Forum supported the recommended options of ceasing to fund the Teenage Pregnancy Support Service from the HNB; and approved the proposal to transfer £2m of funding from the Schools Block of the DSG to the HNB.

- However after further discussion of the proposal for changing the FFI unit value to £630, members suggested a preferred approach of changing the unit value to £600 as this appeared to result in a more equitable impact. It was understood that this would not apply to the SILCs as their entire school budget comes from the HNB, being made up of the £10k place value plus top-up funding for each pupil. To apply the reduction in the unit value to the SILCs would have a disproportionately negative impact on their school budgets and risk their sustainability. The way that this would operate in practice would be to apply the same unit value across all settings, and then to make an adjustment to the SILC budgets.
- There was further discussion on the proposal to cease to provide additional funding to supplement notional inclusion budgets in mainstream schools. Currently, mainstream schools are asked to spend a minimum of 40% of their notional inclusion budget on providing 'blocks' of £6k to meet the needs of individual learners with higher level needs which will exceed £6k (further funding to meet those needs will be provided via application for FFI). This is in line with national regulations that indicate that all mainstream schools should meet the SEND needs of learners up to a cost of £6k; however in Leeds we have supported those schools with a significantly greater cohort of learners with such needs, by providing them with additional blocks of 6k for those learners. These additional blocks of funding have a projected costs of £1m for 17/18 and are not typical nationally; in the review of the HNB, it appeared that relatively few local authorities provided additional funding in this way. However, Schools Forum members remained concerned about the potential impact on mainstream schools of ceasing to provide this funding, even with a suggestion that those in exceptional circumstances might still be able to apply for additional funding. It was noted that there could be a particular impact on those schools with the most inclusive practice which attract higher numbers of learners with SEND accordingly; to penalise them for inclusion would not be fair or in the spirit of the funding approach. Members instead proposed the raising of the percentage of the notional inclusion budget to be spent by schools on individual blocks of £6k before they can access any additional blocks, to 50% - as opposed to the current 40%. It was proposed to analyse the potential saving to be made should this approach be taken instead.
- Further detailed budget analysis was presented at the January 2017 meeting of the Schools Forum which indicated the impact of the proposed adjustments to the initial recommendations regarding Funding for Inclusion and additional blocks of funding for mainstream schools. Schools Forum members indicated that the impact in schools was largely reasonable and equitable, and confirmed their final recommendation to go ahead with the proposed refinements to the original recommendations. However, members also re-iterated concerns regarding the potential impact upon those schools with greater numbers of pupils with SEND than is typical.
- In light of concerns raised at Schools Forum regarding the impact of the proposed savings on schools with significant numbers of pupils with SEND, the Council is proposing to mitigate this by applying transitional protection to limit individual school reductions in 2018/19 to 1.5% of the sum of baseline and high needs funding. This will reduce the overall savings made by an estimated £62 k, but will mitigate against a disproportionate impact on those schools supporting higher numbers of pupils with SEND.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The review included significant consultation and co-production with stakeholders across education. All schools, early years education providers, post -16 education providers and LA officers with an interest, were sent direct emails to inform them about the review and to keep them apprised of its progress. They were also all invited to take part in engagement sessions, which were offered across a range of times and locations to ensure access. Partners were also offered the opportunity to take part via email if they could not attend sessions. The review was also discussed as an agenda at a number of existing meetings of partners, for example head teacher forum. Updates and reports were shared throughout on the Leeds Education Hub. Papers for the Schools Forum, including the detailed reports, were also shared on the Leeds City Council website.
- 4.1.2 Detailed analysis of stakeholder engagement and views shared can be found in the detailed report at Appendix 1. All those taking part in engagement sessions (or participating via email) were provided with a templates to note their views and to identify their top 5 preferred approaches to reducing spending, ranking their preferences 1 to 5. This allow for a scoring system to be used to analyse responses and draw reasonably rigorous conclusions.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 A detailed analysis of regard given to these issues may be seen at Appendix 2.

### **4.3 Council policies and Best Council Plan**

- 4.3.1 The review was undertaken very much in the context of the Council's objective to become the best city in the UK to grow up in and the need to improve outcomes for all our children and young people, but particularly those at a disadvantage. As can be seen in the detailed report, the review reinforced the need to improve outcomes and reduce the achievement gap between children and young people with SEND, and their peers, and emphasised the importance of using available funding efficiently to this end.

### **4.4 Resources and value for money**

- 4.4.1 The HNB is facing significant financial pressures from a growing demand for funding for pupils and students with special educational needs and disabilities. Despite the introduction of a new national funding formula from 2018/19 which recognises the needs of LAs, the additional funding that Leeds will receive is capped and will be insufficient to meet anticipated costs. At the end of 2017/18 there will be a projected deficit balance on the general DSG of £5.1m which will need to be repaid.
- 4.4.2 Schools Forum has already approved the transfer of £2m from the Schools Block to the HNB and an additional £0.5m will be transferred from the Central School Services block to the HNB, subject to a separate report, but this additional funding is still not sufficient to meet the additional costs. The decisions outlined in this

report are therefore necessary in order to bring the projected spend in 2018/19 in line with the available funding.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 The funding regulations for the High Needs Block and Dedicated Schools Grant as prescribed by the Education Skills and Funding Agency, have been adhered to with regard to all recommendations herein.

4.5.2 This decision is subject to call in.

#### **4.6 Risk Management**

4.6.1 It will be necessary to monitor the impact of measures and may be necessary to make further adjustments should the measures alone not achieve sufficient savings. Further monitoring will be undertaken by Children and Families Services in partnership with the Schools Forum.

### **5 Conclusions**

5.1 As concluded by the Schools Forum, it is necessary to implement immediate measures to reduce HNB spending and bring spending back in line with available budgets.

### **6 Recommendations**

In line with the views of the Schools Forum after rigorous debate over the course of several meetings to ensure all stakeholder views were heard, the Director of Children & Families is recommended:

- To cease to fund the Teenage Pregnancy Support Service from the High Needs Block, and fund it instead from an alternative source; please note that this was approved by the Schools Forum at November 17 after unanimous agreement from stakeholders and has already been implemented, **achieving a saving of £216k per year** from the HNB. This saving has already been factored into the 2018/19 budget proposals for Children and Families.
- To revise the Funding for Inclusion (FFI) unit value to £600 (from the current £684). **This will achieve an estimated saving of £1.511m** (estimates based on position at January 18 and subject to change). This will not apply to Specialist Inclusive Learning Centres, as this would not be equitable given the disproportionate effect it would have on their budgets (as all learners therein will have complex SEND needs and are highly likely to be eligible for FFI).
- To revise the system of awarding of additional blocks of funding to mainstream schools to supplement their notional inclusion budget, where they have significant numbers of learners who have higher level support needs which will exceed costs of £6k, and who will be eligible for FFI. Currently, mainstream schools are asked to spend a minimum of 40% of their total notional inclusion budget on providing the blocks of the first £6k to meet the support needs of these learners, before any additional blocks of £6k to supplement their notional inclusion budget will be

awarded. The proposed revision is to increase the minimum to 50% of the total notional inclusion budget. **This will achieve an estimated saving of £492k** (estimates based on position at January 18 and subject to change).

- In light of concerns raised at Schools Forum regarding the impact of the proposed savings on schools with significant numbers of pupils with SEND, the Council is proposing to mitigate this by applying transitional protection to limit individual school reductions in 2018/19 to 1.5% of the sum of baseline and high needs funding. **Capping losses in this way will reduce the savings by an estimated £62k.**

## **7 Background documents<sup>1</sup>**

7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.