

Report to: Schools Forum

Date: 18/01/2018

Subject: Review of the High Needs Block of the Dedicated Schools Grant 2017: Update at January 2018, Subsequent to Recommendations of Schools Forum at November 2017

Appendices: Appendix 1 – Summary of 2018/19 financial projection
Appendix 2 – School by school impact of recommendations 1 and 2

1. Introduction and background

Schools Forum is aware of pressure on the High Needs Block of the Dedicated Schools Grant in Leeds, of the review that took place in 2017, and of previous reports reflecting the local position and national context.

The 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.

At the October 17 Schools Forum meeting, the review was discussed and members considered its recommendations as above. 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 November meeting of the Forum.

A further report was duly provided for the November 2017 meeting (<http://www.leeds.gov.uk/residents/Pages/Schools-forum.aspx>) 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.

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. 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.

It was agreed that the HNB review working group would undertake further analysis as proposed, and return to the January Schools Forum (as per this report).

2. Updated 2018/19 HNB position

In December 2017, the ESFA announced the final baseline figures for 2018/19 for the High Needs Block. The increase is not quite as large as projected following clarification of the growth calculation. In addition, there is estimated to be an increase in deductions for places directly funded by the ESFA, largely due to a significant increase in pupils in post 16 settings from the 2018/19 academic year (from 503 to 566). The effect of these two issues is to reduce the anticipated grant income due by £0.591m to £57.8m, which is a difference of 1% compared to the grant figure previously reported.

There are two areas which have not yet been confirmed by the ESFA – the deductions for places directly funded by the ESFA as detailed above (which will not be confirmed until March) and there will also be an import / export adjustment which takes account of pupils attending schools in other local authority areas. This adjustment is based on the January 2018 Individual Learner Records submitted by providers and will not be issued to local authorities until May 2018. Although the latest information available on these issues has been included in the estimated grant income, the final allocation could still change.

The main area of change to the expenditure projections is that there has been an increase in the numbers of places commissioned from the SILCs resulting in an increase in place and top-up funding. This increase is partly offset by a reduction in top-up funding at other settings. Whilst all known increases have been taken into account, there are still risks around the ongoing demand for places and top-up payments.

Appendix 1 to this report provides a revised high level summary of the estimated 2018/19 position.

3. Further analysis and modelling of alternative approaches as proposed at the November Schools Forum:

As indicated in section 1 of this report, further work has been undertaken to model the impact on individual schools should the additional blocks of £6k be awarded to only when 50% of the budget has already been used for this purpose, as opposed to the current 40%.

This work has now been done and the impact can be seen in the attached tables.

Schools Forum has expressed concern that schools that might be considered to be very inclusive, and to support relatively high numbers of children with SEND, will be adversely affected by this proposed change. Of course it should be noted that those schools do receive higher levels of funding through FFI top-ups. However if a threshold of 50% is applied, only two schools would lose over £20k as a result of this change, which was considered to be a suitable benchmark.

Appendix 2 to this report is a school by school estimate of the impact of both reducing the unit rate to £600k and increasing the threshold for additional £6k blocks to 50%.

4. Area Inclusion Partnerships

One of the recommendations in the HNB consultation was that rigour be applied to analysis of funds not fully utilised by Area Inclusion Partnerships (AIPs). At the same time, it is noted that AIP provision is undergoing review and development to meet local and city-wide requirements. A new arrangement was trialed for 2017/18 which allocated funding for exceptional needs at £10k per place. These were divided into places for local use, and places to be allocated on a city-wide basis via the SEMH panel.

In total 94 places for city-wide use were commissioned from the 5 AIPs. In practice, for various reasons some areas were more able than others to make these places available. Of the 94 places commissioned, 64 have been provided. Discussions are ongoing with AIPs on this issue.

Recommendations:

The Forum is requested to note the following actions to bring the High Needs Block back into balance for 2018/19:

1. **The revision of the Funding for Inclusion (FFI) unit value to £600** (from the current £684).
2. **The revision to 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.