**AGENDA ITEM 06**

**Title of report:** High Needs Funding Block Review and Recommendations for 2018-20

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**Details on who has been consulted with on this paper to date:**

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## Executive Summary

The high needs funding block (HNFB) allocation from the Education Funding Agency provides the bulk of funding for high needs provision for children and young people with special educational needs or disabilities (SEND) in Tower Hamlets. The HNFB is changing alongside the schools National Funding Formula as part of the government’s reform of education funding.

The need for changes in the Tower Hamlets SEND system was identified through an external review of SEND which concluded in December 2016 and the findings informed the development of a new draft SEND strategy which will be published later this year. The strategic changes which will follow the publication of the new strategy, changes in national funding, along with a historic pattern of up to 1% annual overspend on the HNFB in Tower Hamlets, led to the initiation of the review of the current use of funding with a group of school leaders, mainly headteachers but also a Chair of Governors. Whilst the work of the group was to identify potential savings, the group also took the opportunity to assess and comment on re-investing a proportion of the savings to better meet current rather than historical needs.

This report sets out the proposal for changes to commence in 2018-19, based on the recommendations and principles devised by the High Needs Funding Review Group within the context of the new Tower Hamlets SEND strategy. The Review Group’s full recommendations (see the Annex which also includes key data) have been reported to the Children’s Services Leadership Team, who supports them. The views of Schools Forum are sought about the proposals and on how the Forum wishes to be kept informed about progress with the changes through the year ahead.

**Details of recommendations and timescales:**

1. That the Tower Hamlets high needs funding block principles and recommendations are reviewed and commented on by the Forum.
2. Comment made on the proposed changes and anything the Forum considers the local authority should take into account when taking them forward.
3. The proposed changes for 2018-2020 are:
   1. To reduce the size of the budget retained by the LBTH from the HNFB.
   2. To expand the number of special school places to accommodate an additional 120 students by 2021 in areas of identified special need (through specialist pupil place planning)
   3. To undertake a review of the specialist social, emotional and mental health (SEMH) schools and places in order to establish a sustainable provision.
   4. To review the current specialist resource bases in school and ensure more equitable top-up funding and a greater responsiveness to future SEND need.
   5. For the Fair Access Panel (FAP) Review to report on ways to reduce the proportion of pupils and their length of stay in alternative provision (AP) as well as the size of the allocation for AP from the HNFB.

Reasons for recommendations

1. The principles developed by the High Needs Funding Review Group provide a values-base for future decision-making about the use of the HNFB and should inform a transparent approach to budgeting that will be overseen by a new SEND Board which will also drive the implementation of the new strategy.
2. One of these principles is to achieve balanced expenditure from the HNFB by 2020-21. Urgent action is needed to reduce expenditure to achieve this. The proposals in this paper take into account the expected increases in the number of children and young people with SEND and establish a clearer relationship between funding and evidence of pupil need.
3. **INTRODUCTION**

1.1 The report summarises the financial challenges for high needs funding in Tower Hamlets for the period 2017 to 2021, together with the financial basis for the proposed changes, informed by the work of the High Needs Funding Review Group. Details of the proposed changes to commence in 2018 are set out along with the recommendations of the High Needs Funding Review Group.

1.2 The Education Skills and Funding Agency states in the *High needs funding: operational guide 2017 to 2018* that high needs funding “…supports provision for pupils and students with special educational needs and disabilities (SEND) from their early years to 25…Local authorities should use their high needs budget to provide the most appropriate support package for an individual with SEND in a range of settings, taking account of parental and student choice, whilst avoiding perverse incentives to over-identify high needs pupils and students. High needs funding is also intended to support good quality alternative provision for pupils who cannot receive their education in schools.”

1.3 A new formula for the HNFB is being introduced from April 2018, alongside the national funding formula for schools. In the past, there has been some flexibility for the Council to agree with Schools Forum to subsidise the HNFB from the direct schools grant (DSG), but the new arrangements reduce this flexibility and make this option less appropriate.

1.4 The gross allocation of the HNFB from the DfE to Tower Hamlets for 2017-18 is £46.08 million. The Annex includes a summary of how the high needs funding has been deployed in Tower Hamlets in 2017-18 and indicates an anticipated overspend in the region of £1.5 million. Under the new formula, the gross HNFB for 2018-19 will increase to £48.524 million. A summary of the financial information including estimated funding for subsequent years, based on indicative 0.5% per annum growth, are set out in Table 1 on page 5.

1.5 Whilst the increase for 2018-19 will help to alleviate immediate funding pressures in Tower Hamlets, the information in Table 1 **Column A** shows the potential size of the overspend year-on-year should no changes be made, which provides a strong rationale for the need to reduce spending in the medium and long term, to ensure there is sufficient resource and support for the increasing population of children and young people with SEND.

**2. HIGH NEEDS FUNDING FINANCIAL POSITION 2017 – 2021**

2.1 Table 1 summarises

\* the current financial position and challenge for the HNFB; the indicative savings being aimed for by making various changes,

\* the intended sums for re-investment in SEND priorities identified in the new SEND Strategy,

taking an increasing number of children and young people attending special schools and the place payments for them into account.

**Column A** shows a potential overspend of up to £5 million by 2020-21, should no changes be made to the HNFB’s deployment.

2.2 **Column B** sets out changes should the local authority and schools succeed in reducing the rate of growth in the number of pupils with an education, health and care (EHC) plan. Current growth projections are for the numbers of pupils with an EHC plan increasing by 5.6% per annum. The aim is to reduce the annual increase by 3.6% to 2% per annum by 2020, through early intervention as well as more rigorous EHC needs assessment.

2.3 **Column C** outlines the financial position should further proposals be implemented over the period 2018 – 2021. Details of these proposals are set out in section 3, below. In 2018-19, the proposal is to make savings against funding retained by the LA for the delivery of services and undertake detailed reviews to scope how savings could be made in the other identified areas. This will take place within a context of implementation of the new SEND Strategy as well as the consolidation of the new EHC needs assessment materials and processes which will assist in achieving earlier identification and intervention as well as a reduction in EHC plans. Finally, **Column D**, shows the anticipated, gross HNFB allocation from the DfE. Those for 2017-18 and 2018-19 are known amounts. This figure is the total before sums are deducted by the Education Skills and Funding Agency for amounts such as post-16 places and places at academies.

**TABLE 1 – Summary of financial information**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Column A.**  **Total spending if no changes are made** | Potential overspend against expected EFA funding (Column D) | Increase in costs due to  new EHC plans at current rate of increase | **Column B. Total predicted spending when there is reduced increase in demand from new EHC plans** | Increase in costs due to new EHCPs if %age reduction target met | **Column C.**  **Total predicted**  **spending if all proposed recommendations are implemented** | Predicted savings from budget currently retained by the LA | Predicted  Savings  from resource  base  review | Predicted  savings  from  SEMH  review | Potential amount for re-investment in SEND system \*\* | ***Column D. Projected DfE gross HNFB allocation*** |
| 2017-18 | **£48,063,141** | £1,983,141 | - | - | - | - | - | - | - | - | *£46,080,000* |
| 2018-19 | **£49,962,241** | £1,438,241 | £1,894,100 | **£49,662,241** | £1,594,100 | **£48,862,241** | £800,000 | £0 (review phase) | 0 | 0 | *£48,524,000* |
| 2019-2020 | **£52,442,274** | £3,495,274 | £4,374,133 | **£51,623,143** | £3,555,002 | **£49,473,143** | £1,800,000 | £250,000 | £750,000 | £650,000 | *£48,974,000* |
| 2020-2021 | **£54,402,082** | £5,002,082 | £6,333,941 | **£52,382,770** | £4,314,629 | **£48,882,770** | £2,800,000 | £500,000 | £1,100,000 | £900,000 | *£49,400,000* |

**3. PROPOSALS FOR 2018-20**

3.1 The numbers of pupils in Tower Hamlets are increasing and therefore we can expect the number of pupils with SEND to also increase. Whilst work is underway to reduce the annual increase in EHC plans through a variety of means, projections commissioned by the council from a specialist company that looked at the overall pupil population and specific, SEND populations, showed the need for more capacity within local special schools. The proposal is to have 60 more places available from Sept 2019 and a further 60 from Sept 2021 to minimise the need for pupils to be placed in out of borough placements. The cost of top-up and place payments for these children is included in the financial estimates in Table 1 and a capital grant of £3.54 million has been secured to support changes to school buildings.

3.2 The local authority currently retains £4.791 million of the HNFB which contributes to the Support for Learning Service, the SEN team and the Educational Psychology Service. Some of this funding has to be retained to ensure the local authority can fulfil statutory requirements, but it is proposed to reduce the retained amount to circa £1.990 million by 2021. It is anticipated this can be achieved through scrutinising expenditure to remove certain, ‘historic’ spending and to increasingly move services to being bought-in by schools to support their pupils with SEND through Service Level Agreements.

3.3 The local authority currently supports resource bases in seven mainstream schools with a significant variation in the level of per pupil funding between them. It is proposed to undertake a review of the funding for resource bases with local headteachers. The aim is to achieve parity of funding between resource bases and to develop a process to better align the provision to evidence of SEND need in Tower Hamlets. This should result in more effective use of the funding for resource bases across Tower Hamlets. Any savings achieved will be reinvested to maintain the number of children and young people with an EHC plan supported in resource bases.

3.4 The HNFB Review Group identified that the school offer for children and young people with severe social, emotional and mental health (SEMH) needs is fragmented with a variety of approaches being used. It is proposed a review is carried out that will also look at aspects of alternative provision and Children’s Social Care’s need for residential placements for the small numbers of very vulnerable children and young people. It is anticipated that savings to the HNFB can be achieved as a result of some high cost placements being funded with social care.

3.5 The HNFB Review Group observed that a relatively large proportion of the HNFB supports learning for those in alternative provision (AP). The fact that Tower Hamlets has a larger proportion of students in AP than in similar local authorities, is part of the rationale for the Fair Access Panel (FAP) undertaking a review of AP. The FAP review will consider how a higher number of students can be supported on alternative programmes within mainstream schools, reduce the number of referrals to the FAP and reduce the average length of time students remain in AP. Its proposals will be put to Schools Forum for consultation in due course

**4. WORK OF THE HNFB REVIEW GROUP**

4.1 The High Needs Funding Review Group worked with officers from the local authority during autumn term 2017. The membership consisted of headteachers and senior leaders from schools and colleges in Tower Hamlets, as nominated by the respective phase consultative groups.

4.2 The group supported officers from the local authority to develop ways to present complex information about high needs funding to better assist strategic recommendations and decision-making. The group was of the view that a set of principles should be agreed to inform the current and any future review of high needs funding in Tower Hamlets (see: Annex). The group also produced 10 recommendations that have been reported to Children’s Services Leadership Team. Subsequent discussions have resulted in this proposals paper.