

# **Potential impact on KCC and School Finances of High Needs budget overspend and deficit recovery plan**

Scrutiny Committee

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# Where does the High Needs budget sit?

Part of the Dedicated Schools Grant, a specific grant, given to LA's with Education responsibility

Total DSG allocation for Kent in 2019-20 = £1,218.981m

Schools Block	High Needs Block (HNB)	Early Years Block	Central School Services Block
£918.759m	£205.120m	£81.410m	£13.692m

High Needs has been a separate block since 2013-14

KCC policy not to top up the DSG . . . therefore any overs/underspends have to be managed within the totality of the available grant

# Who determines the size of the HNB?

The Department for Education, using a National Funding Formula, which consists of the following factors and weightings

Factor	Weighting
Pupil population	50%
Deprivation : Free School Meals	10%
Deprivation : Income Deprivation Affecting Children Index (IDACI)	10%
Children in Bad Health	7.5%
Disability Living Allowance	7.5%
Low Prior Attainment at key stage 2	7.5%
Low Prior Attainment at key stage 4	7.5%

Plus: Historic Spending levels

# High Needs Budget (last three years)

Table 1		2017-18	2018-19	2019-20
		£'m	£'m	£'m
<b>A</b>	<b>Outturn / Current Forecast</b>	<b>202.0</b>	<b>210.6</b>	<b>228.0</b>
	Funding from DfE	182	197	201.6
	Share of additional £125m per year	n/a	3.5	3.5
		182	200.5	205.1
	Transfers from School Block	8.5	4.4	9.0
<b>B</b>	<b>Total HNB Funding</b>	<b>190.5</b>	<b>204.9</b>	<b>214.0</b>
<b>C</b>	<b>In year High Needs overspend (A less B)</b>	<b>11.5</b>	<b>5.7</b>	<b>14.0</b>

Number in *italics* are forecasts

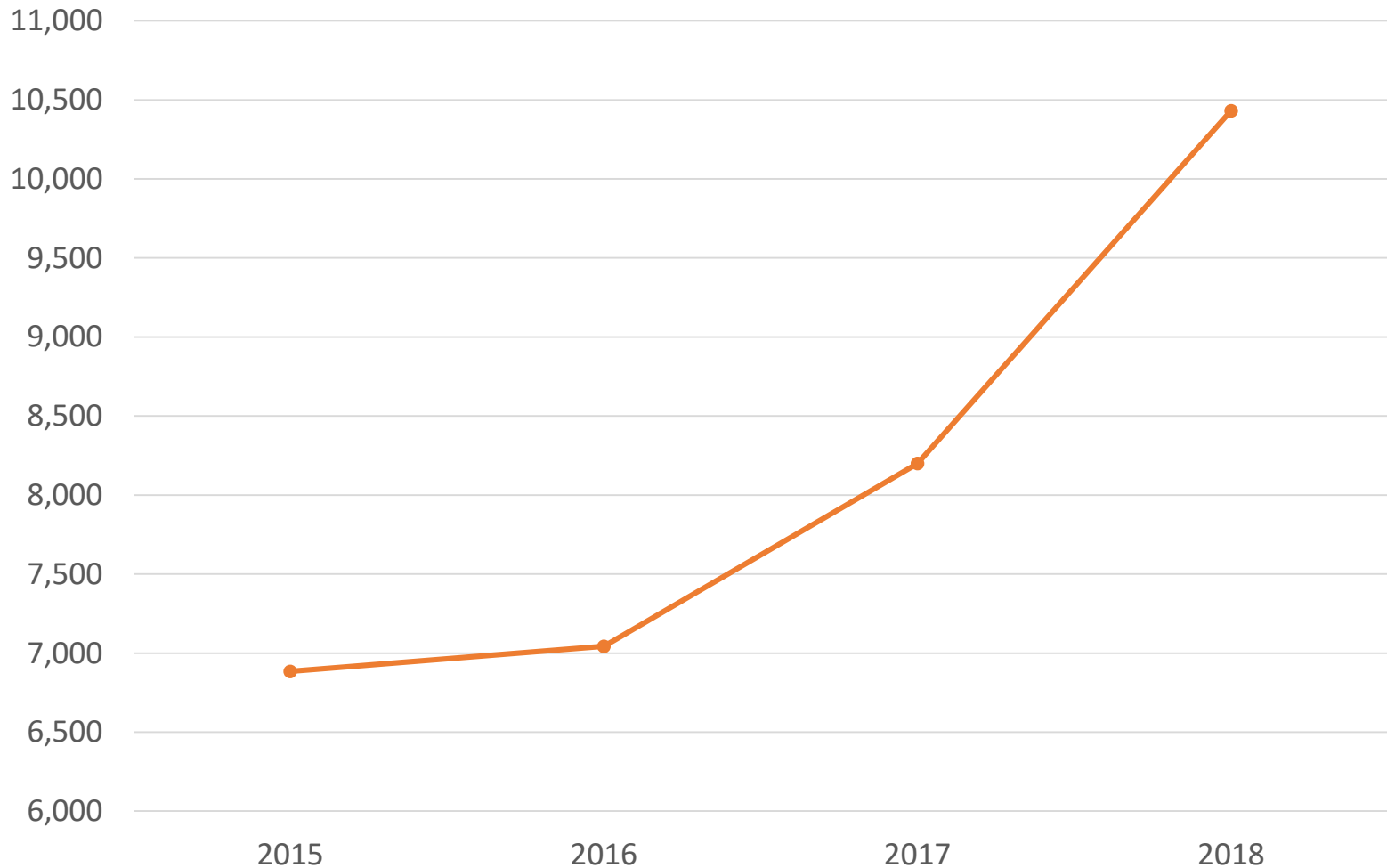
# DSG Reserve

Table 2	2017-18	2018-19	2019-20
	£'m	£'m	£'m
<i>Opening balance at 1 April</i>	1.8	2.1	6.5
High Needs overspend (row C from previous slide)	11.5	5.7	14.0
One-off transfer from PFI equalisation reserve	-10.0	n/a	n/a
Other transfers into the DSG reserve	-1.2	-1.3	?
Closing Balance at 31 March	2.1	6.5	20.5

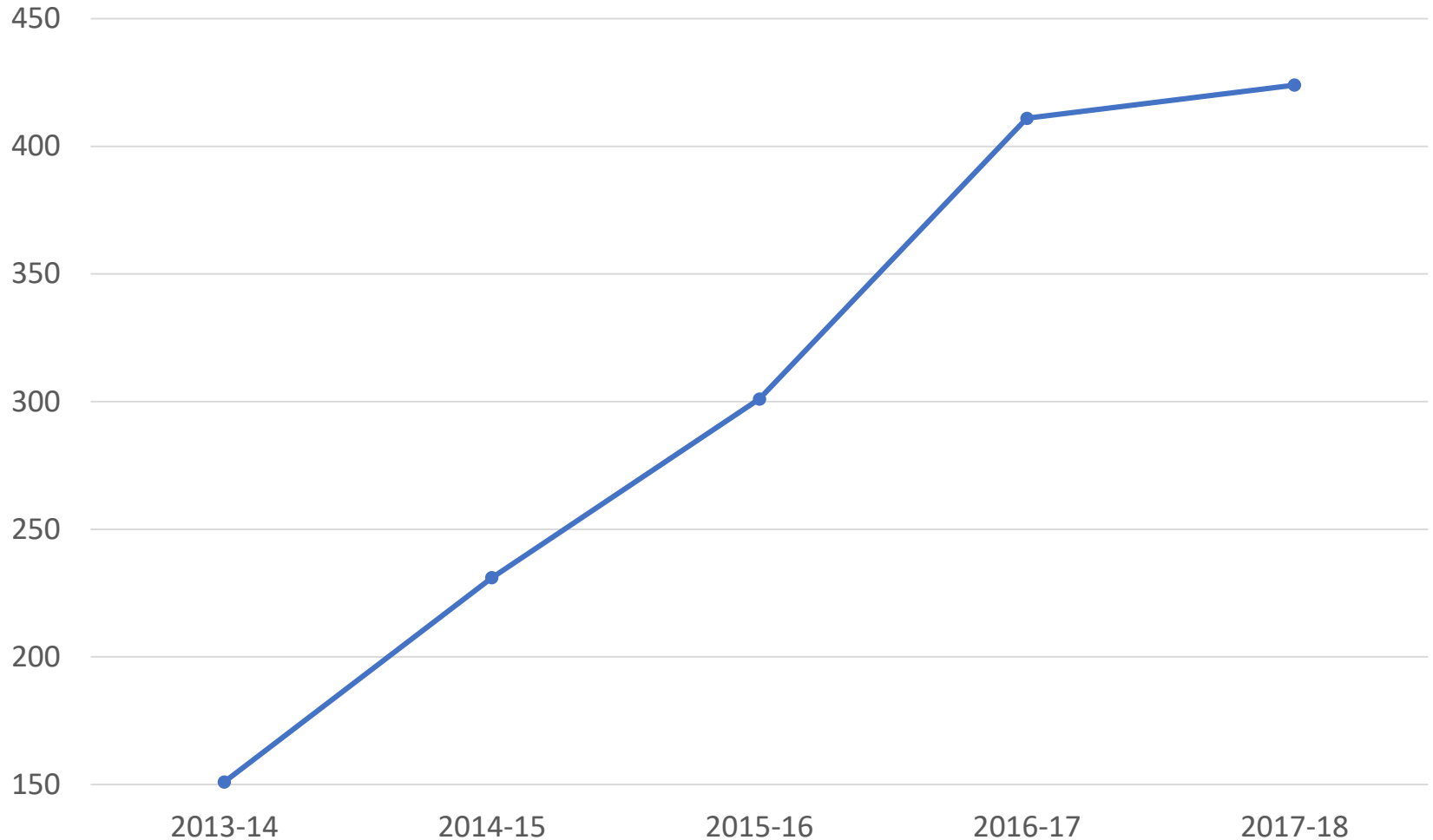
# Reasons behind the growth in demand within Kent

- A significant increase in the number of children and young people with an EHCP
- Reduced parental confidence in mainstream school SEND provision
- The number of EHCP requests over the last three years has grown significantly
- A growing number of children accessing HNF are being educated in special schools rather than mainstream
- Dramatic rise in the number of EHCPs identifying ASD
- Extension of pupils statutory SEND from 0 to 25
- A rise in the number of appeals to SEND Tribunals
- 3.1% of pupils in Kent have an EHCP compared to 2.9% nationally

# Number of Kent EHCPs



# Growth in Post 19 students in Kent





# Number of C&YP in receipt of HNF

Table 4	2016-17	2017-18	2018-19	Change over the three years	
Special Schools	3,649	3,854	4,197	+548	+15.0%
Independent and Non-maintained	562	726	796	+234	+41.6%
Post 16 independent colleges	61	70	72	+11	+18.0%
OLA maintained	107	121	152	+45	+42.1%
Resource Provision	884	890	985	+101	+11.4%
Mainstreams	2,222	2,341	2,292	+71	+3.2%
FE Colleges	800	805	805	+5	+0.6%
Specialist Independent Providers	55	250	169	+114	+207.3%
TOTALS	8,340	9,057	9,468	+1,128	+13.5%

# Average cost of a High Needs placement by type of institution

Table 5	£'000
Special Schools	18.8
Independent and Non-maintained	44.9
Post 16 independent colleges	73.2
OLA maintained	34.7
Resource Provision	13.6
Mainstreams	7.7
FE Colleges	11.1
Specialist Independent Providers	13.2

# National Picture

- Local Government Association commissioned ISOS Partnership
- Their findings were based on input from 93 authorities
- Key findings are
  - Nationally the number of EHCPs has risen by 35% between 2014 and 2018
  - The annual gap in High Needs funding is growing
  - LA solutions to date have masked the severity of the problem
  - LAs now with growing deficit balances, estimated at £314m at the end of 2018-19
  - The proportion of Councils reporting a deficit is now at 74%

# National Picture

- Reasons behind the rise
  - The 2014 SEND code of practice has raised parental expectations, whilst also increasing the age range for LA responsibility to 0 to 25
  - Medical science, impact of adverse child experiences and early life trauma, rising levels of poverty and better diagnosis and awareness of some conditions
  - National policy has not created a system that incentivises inclusion
  - Funding pressure across the education and children's services landscape

# Comparison with OLA's

Extract from Table 6

LA Name	High Needs overspend	DSG balance at year end	Shown as a % of DSG
Kent	£14m	£20.5m	1.7%
Surrey	£27m	£35.6m	4.2%
Hampshire	£14m	£27.7m	2.9%
Cambridgeshire	£6.1m	£13.3m	2.9%
Essex	£3.9m	£7.7m	0.7%

# Action already taken

- Three legged stool consists of:
  1. lobbying for more funding and structural change
  2. transfer funding from other blocks
  3. review of KCC's policies and processes
- Working with school leaders, Schools' Funding Forum, LGA and the f40 group to lobby for an improved settlement
- Written to all Kent MPs in November 2018
- Met with and written to Nadhim Zahawi MP with suggestions for structural change to help reduce demand (see para 5.3)
- Introduced a Needs Specific Top Up funding rate system for pupils in mainstream schools
- Introduced an block payment arrangement with FE colleges
- Developed an SEND Action Plan (see para 5.7)

# DSG deficit recovery plan

- DfE have now introduced a requirement on LA's to submit a deficit recovery plan when their cumulative deficit exceeds 1% of their total DSG
- For Kent this would be around £12m, which we will exceed by the end of the current financial year
- A total of 33 authorities (c. 20%) exceeded the 1% limit at the end of the last financial year
- Requirement is two-fold
  - Bring in-year spending in line with in-year funding, within three years
  - Fully repay accumulated deficit
- DfE recognise this will be very difficult for some authorities and are willing to consider longer-term plans