

Please see presentation given at Scrutiny Committee on 9 July 2019.

This page is intentionally left blank

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

Page 3

Scrutiny Committee 9 July 2019

Simon Pleace

Revenue and Tax Strategy Manager (and former Finance Business Partner for CYPE)



Agenda Item C1

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

Page 4

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%

Page 5

Plus: Historic Spending levels

High Needs Budget (last three years)

Table 1		2017-18	2018-19	2019-20
		£'m	£'m	£'m
A	Outturn / Current Forecast	202.0	210.6	228.0
	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	Total HNB Funding	190.5	204.9	214.0
C	In year High Needs overspend (A less B)	11.5	5.7	14.0

Page 6

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

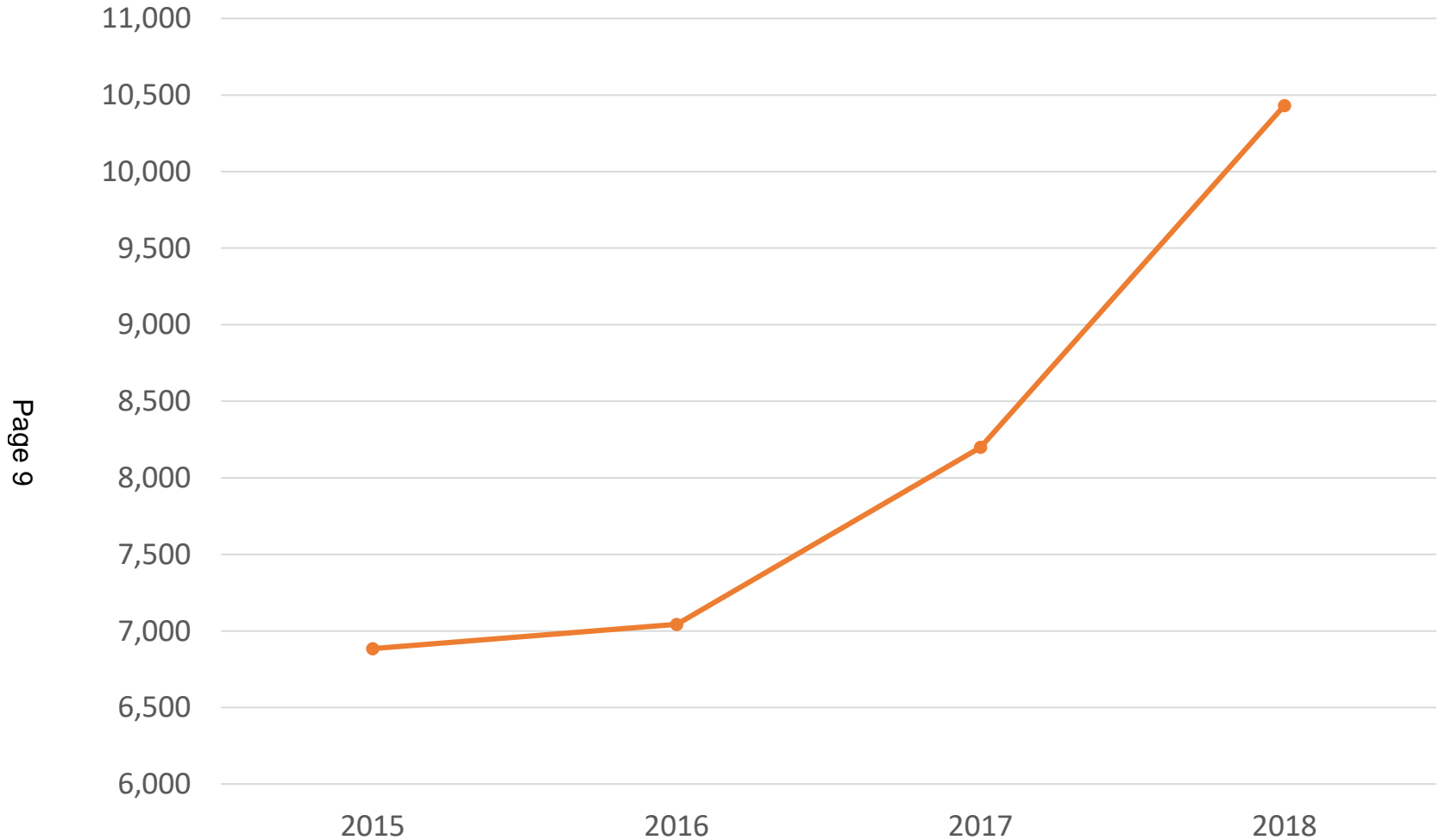
- A significant increase in the number of children and young people with an EHCP
- Reduced parental confidence in mainstream school SEND provision
- The number of EHCP requests over the last three years has grown significantly

Page 8

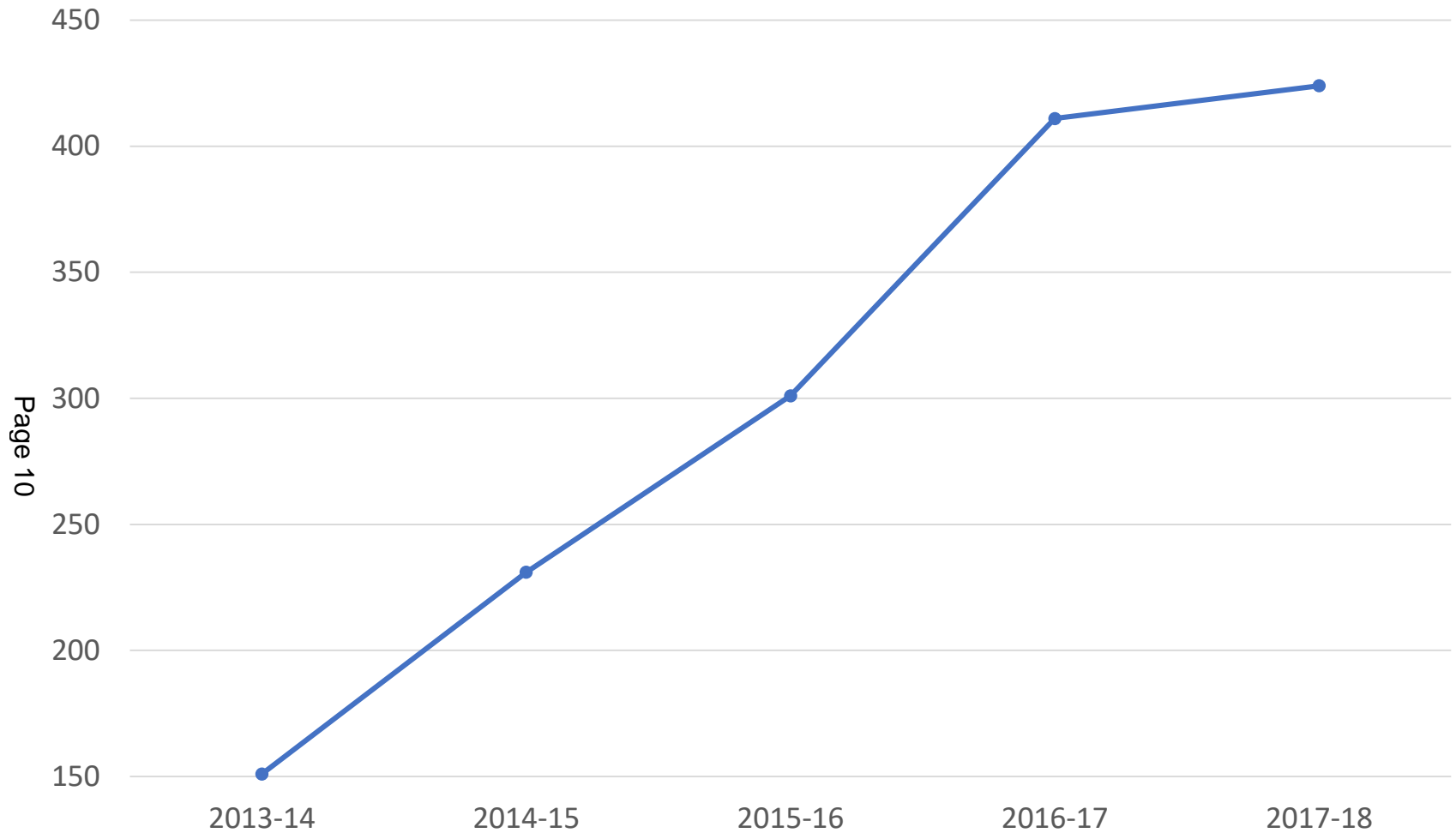
A growing number of children accessing HNF are being educated in special schools rather than mainstream

- 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%
DLA 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

This page is intentionally left blank