

SCHOOLS' FUNDING FORUM

SUBJECT:	Update on School Funding Arrangements for 2019-20, including the Government announcement of additional funding for High Needs
AUTHOR:	Simon Pleace, <i>outgoing</i> Finance Business Partner for CYPE
DATE:	15 January 2019
SUBJECT:	<p>This paper provides an update on the transfer of the 1% from the Schools Block to the High Needs Block and also provides information on the new High Needs funding announced by the Secretary of State on 17 December.</p> <p>This paper invites views from the Forum on whether we should proceed, or review & reduce, the proposed 1% transfer in light of this additional High Needs funding.</p>
FOR:	Comment

1. Introduction & background

- 1.1 On the morning of the 30 November 2018, the Forum reviewed the responses to the KCC School Funding consultation which took place between 15 October and 16 November 2018. The proposal to continue with the 0.5% transfer of the Schools Block (SB) to the High Needs Block (HNB) agreed in 2018-19 and add a further 0.5% transfer from the SB to the HNB in 2019-20, making a total transfer of 1%, generated the most discussion. At the end of the debate, all bar one Forum member (one abstention) supported the transfer.
- 1.2 On the afternoon of the 30 November the Local Authority (LA) submitted a request to the Secretary of State (SofS) to transfer 1% from SB to HNB for 2019-20 (known technically as a “disapplication request”).

2. £250m additional funding for High Needs

- 2.1 On 17 December, the SofS issued a written statement regarding school funding. The main headline to the announcement was an additional one-off £250m of revenue funding for High Needs, which is split £125m in 2018-19 and £125m 2019-20. The additional one-off funding has been distributed to LAs based on their 2 to 18-year-old population projections. **Kent's allocation for each year is just over £3.5m, so just over £7m in total.** Although this additional funding is very welcome, it only represents approx. 22% of our remaining funding requirement in 2019-20 after the 1% transfer.
- 2.2 In addition to the £250m, there were a number of additional announcements all focused on High Needs. These included the following;
 - An additional £100m into the Special Provision capital fund in 2019-20

- Writing to all LA's to outline plans to support them in their strategic leadership and oversight of the provision for children and young people with SEND.
- Establishment of a SEND System Leadership Board which will be focused on improving joint education, health and care commissioning.
- Establishing a joint Ministerial roundtable with Department of Health and Social Care.
- Further funding for training Education Psychologists – three additional cohorts starting in September 2020.
- Commissioning SEN Futures - a package of long-term research and analysis to provide evidence of the impact of current SEN provision on children and young people's outcomes, and to assess the value for money of SEN provision in England.
- Early in 2019, the Department for Education (DfE) intends to gather more evidence to understand the financial incentives that influence how schools, colleges and councils support children and young people with SEND. This will include looking at the notional SEN budget of £6,000 per SEND pupil.
- Commissioned the National Development Team for Inclusion to work with 20 local authorities to develop and model effective practice on those young people over the age of 19 with an EHC plan. This will include what "good" looks like and when it is right to cease plans.
- Work with officials within the Department for Work and Pensions to support more young people with SEND into sustainable employment.

2.3 The DfE have also issued a statement, which sits alongside the SofS announcement, regarding the impact of movement of DSG between blocks. It acknowledges the timing of this additional funding is very late in the day and states that "a number of local authorities will have already proposed to move funding from the SB to the HNB in 2019 to 2020. With this additional High Needs funding now confirmed, we expect these LAs will want to review their proposals".

2.4 The DfE have given us until 15 January 2019 to inform them of any changes to our request and this Forum meeting has been specially arranged to consider this, and we plan to contact the DfE after this meeting.

3. Implementation of new arrangements for reporting DSG deficits

3.1 On 30 November, the LA presented a report on a DfE consultation which seeks to introduce additional reporting requirements for Local Authorities whose DSG reserve goes into deficit by more than 1% of the total annual DSG amount. The DfE acknowledge within the consultation that the primary reason for LA DSG reserve accounts going into deficit is pressure on the High Needs budget.

3.2 We estimate that the 1% criterion equates to just under £12m for Kent and this would relate to the accumulated balance of the DSG reserve and not just the in-year position. You will see in the next section of this paper when we are forecasting to exceed this threshold.

- 3.3 It was agreed at that meeting that a joint KCC and Kent Schools' Funding Forum response to the consultation should be submitted. A copy of the response that was submitted on 7 December is attached at appendix 1.
- 3.4 Although at the time of writing this report the government have not issued their formal response to this consultation, the LA believes it prudent to assume that the Government intends to introduce some form of tighter reporting requirements, and that we should at this stage plan accordingly.
- 3.5 The key proposal within the consultation is to require LAs, who breach the 1% limit, to produce a recovery plan to bring the DSG reserve account into balance within three years. To be clear this means two things:
- demonstrate that we can bring in-year spending in line with in-year funding within three years at most.
 - fully repay the accumulated deficit on the DSG reserve account
- 3.6 The DfE recognise that this may prove difficult for some LAs, and where this is the case (I would suggest Kent will be one of these), they would be open to receipt of evidence explaining the problem and may accept a recovery plan that leaves some or all of the accumulated deficit on the DSG reserve account to date outstanding. **In all cases they expect LAs recovery plans to demonstrate how they will bring in-year spending in line with in-year funding within three years at most.**
- 3.7 A recovery plan will need to be presented to the Schools' Funding Forum and agreed with the LA Finance Director (known as the S151 officer).

4. **Latest High Needs Forecast**

- 4.1 At the Forum meeting held on 28 September 2018 the LA presented a forecast position for High Needs for the current financial year and also provided some forward projections into 2019-20 and future years (graphically presented) based on applying a continued growth trajectory methodology. The future years forecasts were based on +7% year on year growth.
- 4.2 An update on the forecast for the current financial year was provided to the Forum at their meeting on 30 November.

- 4.3 A summary of the in-year position for 2018-19, 2019-20 & 2020-21 is provided in table 1 below. Please note the uncertainty with future years, particularly 2020-21.

Table 1		2018-19	2019-20	2020-21
		£'m	£'m	£'m
a	Current forecast	211	226	242
b	Funding from DfE	-197	-201	-203
c	Share of new £125m	-3.5	-3.5	?
d	Transfer of 0.5% (18-19)	-4.4	-4.4	?
e	Transfer of 0.5% (19-20)		-4.4	?
	In Year Position (note 1)	6.1	12.7	

Note 1: This is the best-case in year position which assumes all of the new funding and the 1% transfer proceeds.

- 4.4 In terms of the accumulated DSG reserve, table 2 below provides a best-case scenario forecast position statement assuming the 1% transfer proceeds.

Table 2	Start of the year	In year position	End of the year
2018-19	£2m	£6m	£8m
2019-20 (note 2)	£8m	£13m	£21m

Note 2: The table shows that we will exceed the 1% additional reporting requirement threshold in 2019-20 as our forecast accumulated deficit of £21m exceeds the 1% threshold estimated at £12m.

5 Conclusion

5.1 The LA has essentially two options to choose between.

Option 1 – proceed with the 1% transfer (hereon in referred to as the *deficit reduction strategy*)

Option 2 – reduce the amount of transfer from the Schools Block (hereon in referred to as the *accelerated NFF strategy*)

5.2 The LA favours the deficit reduction strategy over the accelerated NFF strategy for the following reasons:

- a) The LA and Forum have consistently referred to the three-legged stool analogy as the solution to the high needs challenge we face. In our mind the three legs consist of;
 - i) lobbying central government to obtain more funding (in both the short term ie in the current financial year and the medium term within the next spending review) and to see structural policy changes
 - ii) transfer funding between SB and HNB
 - iii) review the LA's policies and processes to deliver savings locally

The additional funding provided by Government and the 1% transfer are separate legs and both are required. Any offsetting/reduction to the transfer will enhance the challenge.

- b) The scale of the financial deficit means that all efforts to reduce this should be used before considering any further acceleration towards the NFF (beyond the rates that we have already agreed and published for 2019-20).
- c) If the DfE proceed with the proposal to require us to produce a deficit recovery plan (as set out in section 3 above), the solution will have to come from the existing DSG system (and not from Council funding). This would be achieved by effectively running a surplus on the HNB. So, any extra money that is given to schools now at the expense of keeping the deficit as low as possible is merely transferring money from one pocket to the other. Under the accelerated NFF strategy, the deficit would be greater, and therefore we would have to consider implementing more painful management action.

6. Recommendation

6.1 Members of the Forum are asked to recommend to the LA whether the 1% transfer should proceed or be reviewed (with a view to reducing it). The LA recommends that the 1% transfer proceeds.

7. Background Document

[Item 4 – Paper on 2019-20 School Funding arrangements – presented to the Schools' Funding Forum on 30 November 2018](#)

Item 5 - Paper on DfE consultation on the implementation of new arrangements for reporting deficits of the Dedicated Schools Grant – presented to the Schools' Funding Forum on 30 November 2018

Item 4a – Update on High Needs Forecast – presented to the Schools' Funding Forum on 28 September 2018

Item 3a – Update on High Needs Forecast – presented to the Schools' Funding Forum on 30 November 2018

Kent County Council and Kent Schools' Funding Forum response to DfE consultation on the implementation of new arrangements for reporting deficits of the dedicated schools grant

The views contained within this consultation response represent the joint views of both Kent County Council and the Kent Schools' Funding Forum, who discussed these proposals in detail at the Forum meeting on 30 November and agreed to this joint response.

Firstly, we would like to thank the Department for Education (DfE) for giving us an opportunity to respond to these consultation proposals, which although appear at first glance to only impact on Local Authorities (LAs) have in fact far reaching implications that will affect all schools & academies within Kent, and specifically those schools & academies who provide the greatest support to children with Special Educational Needs and Disabilities (SEND).

It is incredibly frustrating that the consultation fails on every level to recognise the underlying drivers causing the LA DSG High Needs budgets to be under severe and sustained pressure. The scale of High Needs budget overspending in many LAs across England is surely evidence that this is not down to poor management or local decision making at LA level but instead is evidence of a much wider set of issues. The failure to recognise this within the consultation is a fundamental omission.

The underlying causes of the pressure in the LA High Needs budget which in our view must be recognised by the DfE are:

- a) Significant growth in demand for EHCPs which is largely as a result of the governments changes to the SEN Code in 2014,
- b) A failure to provide adequate annual increases in funding to meet said demand,
- c) Within the overall increase, we are seeing a growing number of pupils with the most profound and complex needs and these children and young people often require the most expensive educational support packages,
- d) The statutory responsibility to support children with EHCP's has increased to the age of 25 (from 18), yet no additional funding has been provided within the DSG,
- e) Placing even increasing restrictions on LAs ability to manage DSG holistically across the LA area (moving between blocks),
- f) Failing to recognise the financial climate LA's are currently operating within, with non-DSG grants having reduced by over 50% since 2010.

The consultation also implies that LAs have greater control and the ability to manage these budget pressures away. Whilst we may have some options to tighten our processes to help offset some of this pressure, our assessment of the impact of these is relatively minor compared to the external drivers listed above, which are in most cases completely outside the LA control.

A more significant area of concern for us is that if these rigid proposals are introduced, the LA would be forced to consider implementing draconian management action to comply with the requirement. The most obvious example I could provide is through cutting the funding rates that we provide to schools and academies who take children with SEND. Whilst such reductions may deliver a short-term saving, all the evidence suggests that this would likely lead to a less inclusive system over the medium term, with more children with SEND being placed in the more expensive provision e.g. independent. Such unintended consequences cannot be desired by the DfE.

It is our view, having undertaken significant research in this area, that we need a more inclusive system to help meet the High Needs budget pressures and we therefore urge the DfE to reconsider imposing such an unhelpful and insufficient set of proposals. Instead we believe the DfE should be helping LAs manage the High Needs budget pressure by developing a system that incentivising schools who take SEND pupils, that provides adequate and appropriate levels of funding for the responsibilities that reside with LA and to urgently review the national policies that are driving the demand pressure that we are all experiencing.

Submitted by: Simon Pleace, Finance Business Partner for Children, Young People and Education. simon.pleace@kent.gov.uk

On behalf of: Kent County Council and the Kent Schools' Funding Forum

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