Waltham Forest

Meeting / Date	**SCHOOLS FORUM** **12 November 2014**	Agenda Item	**5**
Report Title	**High Needs Block update for 2014-15 and forecast for 2015-16**		
Decision/ Discussion/ Information	For Information and Decision		
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Appendices	Appendix A: Current forecasted outturn figures for the HNB for 2014-15 Appendix B: High Needs place numbers for academic year 2015/16 Appendix C: PRUs and Alternative Provision		

1. SUMMARY

1.1 The purpose of this report is to inform Schools Forum of changes to and pressures on the High Needs Block (HNB) in 2015-16; the reasons for these pressures; and proposals on how to manage these pressures.

1.2 This informs decisions that will need to be made in allocating funding in 2015-16. The LA will be making a detailed report on proposed allocations to mainstream schools and specialist SEN and AP providers to Schools Forum on 14 January 2015.

1.3 This report has three main sections:

- Current High Needs Block Income and Expenditure for 2014-15;
- High Needs place numbers for the academic year 2015/16; and
- Forecast of Income and Expenditure within the High Needs Block for 2015-16.

2. RECOMMENDATIONS

2.1 Schools Forum to note:

2.1.1 Current forecasted outturn figures for the High Needs Block in 2014-15 as set out in **Appendix A** to this report.

2.1.2 The LA's exceptional circumstances submission for additional place-led funding from September 2015 as set out in **Appendix B**.

2.1.3 The forecasted income and expenditure for the High Needs Block in 2015-16 as set out in Table 3 below.

2.1.4 The forecasted cost pressures of **£1.543m** are **£0.170m** greater than identified reserves of **£1.373m**.

2.1.5 The proposal from the DFE to increase the level of place-led funding for alternative provision and PRUs from £8,000 to £10,000 from September 2015 at a cost of **£0.265m** in 2015-16 (**£0.454m** in a full year).

2.1.6 Should the DFE proposals be adopted, that the cost to schools of commissioning places in alternative provision and PRUs will fall by **£0.242m** from **£0.856m** to **£0.614m** in 2015-16 and a further **£0.172m** in 2016-17 (ie a full year cost of **£0.442m** to schools, providing an annual saving of **£0.414m**).

2.2 Schools Forum to agree:

2.2.1 To increase the funding transferred from the Early Years Block to the HNB by **£0.054m** from **£0.446m** to **£0.500m** in 2015-16 to meet rising costs for 2-4 year olds with statements.

2.2.2 The total number of PRU and Alternative Provision funded places for 2015-16 remains unchanged for 2015-16 at 136.

2.2.3 Places fully-funded by the HNB at Forest Pathways College are increased by 10 from 54 to 64.

2.2.4 Places part-funded by the HNB at the PRUs are decreased by 10 from 82 to 72, reducing commissioning costs to schools.

2.2.5 Alternative Provision places are reduced by 15 from 150 to 135.

2.2.6 To transfer **£0.214m** from the Schools Block to the HNB **(£0.125m** pro-rata for 2015-16) to meet the cost of the increase in place led funding for places in the PRUs and Alternative Provision commissioned by schools from September 2015, should the government's proposals be adopted.

2.2.7 To hold back on any uncommitted spend allocated for SEN reforms and development of post-16 provision to provide for cost pressures.

3 CURRENT HIGH NEEDS BLOCK INCOME AND EXPENDITURE FOR 2014-15

3.1 At its meeting on 10 January 2014, Schools Forum was informed that the LA expected DSG income for 2014-15 to be **£33.752m**. The final DSG High Needs Block allocation announced in June 2014 was **£34.041m**, some **£0.289m** higher than originally forecast.

3.2 The EFA deducted **£7.580m** from the actual DSG paid to Waltham Forest to cover direct payments made by the EFA to SEN specialist institutions (e.g. place-led funding in academies and non-maintained special schools and the Home-Hospital Service). However, this has led to a corresponding reduction in planned expenditure by Waltham Forest.

3.3 Income is reasonably secure within the High Needs Block, however expenditure can be volatile since it is based on demand which is why the LA aims to keep contingency funding to meet unexpected expenditure.

3.4 It is too early to be certain about underspends or overspends in major areas of the High Needs Block in 2014-15, however current projections indicate a slight underspend of **£0.126m** as outlined in **Appendix A**.

3.5 Included within the forecast expenditure for 2014-15 was **£1.447m** set aside by School Forum in September 2013. The current position for this is shown in Table 1:

Table 1: Ear-marked funds brought forward

Ear-marked for:	£m	Committed £m	Remaining £m
SEND Reforms	0.200	0	0.200
Developing post-16 provision	0.350	0.150	0.200
Identified risks	0.250	0	0.250
Contingency funding	0.647	0.050	0.597
Total	**1.447**	**0.200**	**1.247**

3.6 The LA is planning to hold back on any uncommitted spend of **£1.247m** allocated for SEN reforms, development of post-16 provision and contingency funding agreed by Schools Forum in September 2013; together with the 2014-15 projected underspend of **£0.123m** would leave a balance of **£1.373m** to meet the growing cost pressures identified in section 5 below.

4 HIGH NEEDS PLACE NUMBERS FOR THE ACADEMIC YEAR 2015/16

4.1 Place-led funding for specialist SEN provision forms a significant part of the total funding that LAs receive through the High Needs Block. It covers the £10,000 per place paid to SEN specialist providers. The EFA informed LAs that the published academic year (AY) 2014/15 High Needs places numbers would form the basis for AY 2015/16 unless LAs were able to make an exceptional circumstances case by 17 October 2014 setting out reasons why more places were needed. There would also be a technical adjustment to report post-16 places on an institution location rather than a pupil residency basis.

4.2 The criteria laid down by the EFA for exceptional circimstances was that for any individual institution with at least 50 places there had to be a minimum increase of 10% and for institutions 50 or fewer places an increase of at least 5 places.

4.3 The LA has reviewed all provision and where possible it has reallocated places between institutions from where there are surplus places to where there is a shortfall. However, overall the LA has identified the need for 1,297 places in AY 2015/16; 60 more than for AY 2014/15. Please see **Appendix B**.

4.4 58 of the additional 60 places meet the exceptional circumstances criteria: 19 are pre-16 and 39 are post-16. If the EFA does not accept the submission made by the LA, then the LA will have to find up to an extra **£0.338m** pro rata in financial year 2015-16 **(£0.580m** for a full year) in addition to meeting the commissioned fees (elements 2 and 3) for pupils and students for whom Waltham Forest has a responsibility. This has significant implications for the HNB in financial year 2015-16.

4.5 Post-16 place-led funding will be changed from a residential criteria for High Needs students (e.g. funding for Waltham Forest students wherever they attend a post-16 institution) to one where the criteria is based on institution location (i.e. based on the number of High Needs pupils attending institutions in Waltham Forest regardless of residency). This will impact on numbers funded. Figures provided by the EFA based on an AY 2014/15 count suggest that the number of places funded, including Alternative Provision and PRU places, could fall as shown in Table 2 below.

4.6 Using 2014-15 high needs place numbers suggests that Waltham Forest would receive funding for 38 fewer places equivalent to **£0.380m**. However, this is cost neutral in effect since Waltham Forest would have to fund 38 fewer places.

Table 2: Impact of change from residency of students to location of institutions

	Student Residency	Institution location	Difference
Pre-16	1,050	1,042	-8
Post-16	214	184	-30
Total	**1,264**	**1,226**	**-38**

5 FORECAST OF INCOME AND EXPENDITURE WITHIN THE HIGH NEEDS BLOCK FOR 2015-16.

Income

5.1 The EFA funding is expected to be the **£34.041m** DSG allocation for financial year 2014-15 adjusted by any additional place-led funding and the change from student residency to institution location.

5.2 There is additional funding from the **£0.446m** transfer from the Early Years Block plus any carried forward underspend / unallocated funding from 2014-15 which at the moment the LA is forecasting to be in the order of **£1.373m**.

Expenditure

5.3 Expenditure is more volatile but the LA is rigorously reviewing pupil and student data to arrive at reasonable forecasts of expenditure. Table 4 below sets out the main areas of increased expenditure and the key reasons for the forecasted increase.

5.4 One significant change is that the DfE proposes to increase the level of place-led funding for alternative provision from £8,000 to £10,000 from September 2015.

5.5 The increase in place-led funding for all Alternative Provision in 2015-16 will create a cost pressure of **£0.265m** in 2015-16 **(£0.454m** in a full year). This includes the increase in the cost of places at Forest Pathways of £0.140m **(£0.240m** in a full year). which is met in full from the HNB as these are students who have not attended schools in Waltham Forest.

5.6 If the increase in place funding is confirmed in the final regulations, the DfE expects to see reductions in the commissioned top-up funding. The LA believes that it is reasonable that part of the cost pressure is met by schools who will benefit from the reduction in commissioning fees. Therefore, it is proposing that schools contribute **£0.125m** (**£0.214m** in a full year) towards these costs. Please see Appendix C for more details.

Table 3: Main areas of forecasted increased expenditure in 2015-16

Expenditure heading	£'000s	Reason
Pre-school (2-4 year olds)	54	Growth in number of 2-4 year olds receiving SEN support (partly due to introduction of FEEE for 2 year olds in PVI settings)
Maintained schools 5-16	162	Growth in number of HNLI pupils supported from 297 to 320 reflecting that the school population continues to grow by 2% a year
Special Resourced Provision	323	Growth in number of places from an average of 171.67 in 2014-15 to 184.5 in 2015-16
Special schools and academies	739	Growth in number of places (with expansion of Whitefield Trust) from average of 721 in 2014-15 to an average of 746 in 2015-16. Other pressure point growing number of Waltham Forest pupils and continued move to higher levels on resource ladder
Forest Pathway	140	10 Additional places from September 2015 at £24,000 per place
Alternative Provision	88	Place-led funding to rise from £8,000 to £10,000 from September 2015 (number of places reduced from 150 to 135)
Pupil Referral Units	37	Place-led funding to rise from £8,000 to £10,000 from September 2015 (number of places reduced from 82 to 72)
Total of cost pressures	**1,543**	

Note: This will be reduced by **£0.338m** if the LA is successful in its bid for place-led funding for 58 additional places. However, it would be prudent to build in **£0.500m** as contingency for unforseen cost pressure due to higher demand / fees.

5.7 As stated above, at present **£0.446m** is transferred from the Early Years Block to the High Needs Block to offset the cost of supporting identified high needs children aged 2-4 years. This was the level of spend in 2012-13 earmarked within the Early Years Block. This comprises **£0.296m** to fund SEN Centres of Excellence – settings that support other early years providers and **£0.150m** towards the commissioning costs of support for children with identified high needs. Since then, the number of 2-4 year olds receiving free education has risen sharply and this is reflected in the growth of the Early Years DSG funding including 2 year old funding.

5.8 At the same time, there has been an increase in the number of children receiving specialist support, however this is not reflected in growth in High Needs Block funding. The view of the EFA is that High Needs funding system will not be applied to under-fives in 2015-16. It will be for each LA to decide how institutions offering places for high needs children aged under 5 years old should be funded from their Early Years and High Needs budgets.

5.9 The High Needs Block funds placements of 2-4 year olds in specialist SEN settings, in mainstream settings and also provides support from Outreach Support Services. There will be 14 children aged under 5 in special resourced provision in 2015-16 and there was a further 16 in our special academies in May 2014.

5.10 The LA believes that it is reasonable to increase the funding transferred from the Early Years Block from **£0.446m** to **£0.500m** in 2015-16 as forecasted expenditure supporting identified high needs children aged on 2-5 years in 2014-15 is expected to grow from **£0.460m** in 2014-15 to **£0.504m** in 2015-16.

5.11 The LA proposes that it reviews SEN expenditure apportioned according to responsibility between the HNB and the EYB. The LA will make firm proposals to Schools Forum at its meeting in January 2015. In the case of Early Years Block to match the transferred funding to the forecasted expenditure on 2-4 year olds in 2015-16 since the number of children being supported continues to grow.

6 CONSULTATION

6.1 Consultation has taken place with those Institutions where there is a proposed change in the high needs place numbers in the academic year 2015-16.