## Schools Forum 5th December 2012
## High Needs Block and Provisional School Budget Shares for Special Schools and Academies – For decision by Schools Forum

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**Executive Summary:**

This report provides important financial information relating to:

(a) The size of the High Needs Block for 2013/14. The report shows that the latest calculation by the EFA is **£32.549m** before extra funding is allocated for post-16 LDD students in sixth forms and colleges.

(b) Concerns about cost implications of Local Authorities having responsibility for post 16 LDD students in sixth forms and colleges from April 2013 when it is still very unclear whether or not additional funding will meet demand placed upon the Local Authority.

(c) A breakdown of the number of High Needs / Low Incidence (HNLI) SEN specialist and alternative provision places to be funded in Waltham Forest in 2013/14 and the issues that this raises to ensure all places are filled.

(d) Funding for special schools and academies and special resourced provision in mainstream schools for 2013/14. The move from notional to actual resource ladder allocations for special schools leaves the Local Authority with insufficient funding to meet the full cost of implementation and growth in numbers on roll. Therefore, the Local Authority will need to either reduce the value for each level on resource ladder which has implications for mainstream schools or apply a deflator to restrict the growth in funding per pupil (similar to the ceiling gain for mainstream schools).

(e) Further information on SEN funding for mainstream schools and SEN support and alternative education provision will be provided at the **16th January 2013** meeting of Schools Forum.

### (a) The Size of the High Needs Block for 2013/14

At the meeting of Schools Forum held in September 2012, it was reported that the DfE had calculated that the baseline figure for the High Needs Block was **£33.207m**. Essentially the High Needs Block covers activities that directly or indirectly support High Needs / Low Incidence SEN (HNLI) pupils and students. Schools are expected to meet the full cost of Low Needs / High Incidence (LNHI) pupils and students from their delegated budgets.

The summarised breakdown of the High Needs Block was as follows:

**Table 1: Original breakdown of baseline for High Needs Block**

| Description: | £m | % |
|---|---|---|
| Special Schools budget shares (including £150k protection for William Morris and £23k MFG for Belmont Park) | 15.774 | 47.5 |
| Delegated funding for HNLI children in mainstream schools, Academies and Early Years settings (including Special Resourced Provision) | 5.907 | 17.8 |
| Centrally retained funding for in-year SEN payments, inclusion, PRUs, Education out of school and Outreach by Special Schools | 7.188 | 21.7 |
| Independent and Non-Maintained Special School fees | 4.152 | 12.5 |
| High Needs Block contribution to centrally retained funding for Contingency Fund, Schools Forum, Staff costs (including occupational health), termination of employment costs, Carbon Reduction Commitments and CERA. | 0.187 | 0.5 |
| **Total** | **33.207** | **100%** |

Since then the Education Funding Agency has made further adjustments to take account of Hospital Education and the ending of recoupment between Local Authorities. The latest figures as at 31st October 2012 are set out in Table 2 below:

**Table 2: Adjustments to Baseline for High Needs Block 2012/13**

| Adjustments: | Deductions (£) | Additions (£) |
|---|---|---|
| Inter-authority recoupment (net) | 1,240,409 | |
| Hospital Education Top-slice (proportional share) | 53,034 | |
| 90% provision for 3 year olds (proportional share) | 89,987 | |
| WF Pupils Educated OUT of the local authority [83 pupils] | 363,104 | |
| Out-borough Pupils Educated INSIDE the local authority [180 pupils] | | 726,471 |
| Allocation for Hospital Education | | 363,100 |
| **Total** | **1,746,534** | **1,089,571** |
| **Adjusted baseline figure for 2012/13** | | **£32.549m** |

Overall, this represents a reduction of **£0.657m** but our commitments have also been reduced.

The adjustment for pupils educated inside and outside the borough is to ensure that the Local Authority educating the pupils has the additional funding (on top of the LA's GuF) to meet the cost of the place-led funding. Therefore **£0.363m** has been taken from our funding and re-allocated to Local Authorities educating our 83 children. However, we will still have to pay the commissioning fee.

Similarly, **£0.726m** has been added to our budget so that along with our GuF we can fund the £10,000 place-led funding (or £8,000 if it is an alternative education provision) for the 180 Out-Borough pupils attending our schools. In addition, the removal of inter-authority recoupment means that we no longer fund commissioning fees for out-borough HNLI pupils attending Waltham Forest special schools and mainstream schools. However, we lose the recoupment income. This is now the responsibility of those local authorities where those pupils reside or have a responsibility for (e.g. looked-after children). We will still continue to pay in full the fees for pupils attending independent and non-maintained special schools (INMSS).

*Post-16 LDD Students:*

The one area of funding which has not yet been finalised relates to post-16 LDD students attending colleges and school sixth forms. Up to now these payments have been made by the EFA (and its predecessors) but from April 2013 this responsibility will pass to Local Authorities. Efforts to refine the data held by the EFA are at best superficial because of the big gaps in information available regarding which local authority is the maintaining authority for these students and forecasts of the number of pupils that will need to be supported in 2013/14.

However, as funding is agreed on academic years, the EFA should have (reasonably) accurate figures on funding up to August 2013. Local authorities have grave concerns that funding allocated for the next academic year may not be sufficient to meet the level of support needed. If this is the situation, local authorities such as Waltham Forest may have a shortfall in funding and the view of officers in Waltham Forest is that we should not be using High Needs Block funding allocated through the DSG for pupils aged up to 16 to meet any deficiency as it will reduce our capacity to support our pupils aged 3 -16 with High Needs and Low Incidence. This remains a high risk for Waltham Forest and one where we will need to keep funding to offset any shortfalls.

The agreed baseline for the High Needs Block for 2012/13 is crucial for Waltham Forest since it becomes the level of funding that the EFA allocates to Waltham Forest for 2013/14. Despite the fact that our school population will have risen by 3% (and therefore you could say that this adds pressure to our funding for HNLI children) we, like all other Local Authorities will have to manage within existing resources and this may mean prioritising funding.

Further information on numbers involved and likely funding levels will be presented at the meeting. Local Authorities are still seeking clarification on the process of how they will work with schools and colleges in identifying students and resources for the academic year 2013 - 14.

*SEN savings carried forward from previous financial years:*

Waltham Forest is fortunate in that good management of retained funding for HNLI children, including out-borough placements, has resulted in underspends in previous years. As reported to Schools Forum in September 2012, the underspends have been:

- 2010/ 11 £466,600 (originally £755,800 but part has been used)
- 2011/12 £715,900

It was agreed at the meeting to carry forward the £715,900 to 2013/14 to mitigate against emerging risks in the High Needs Block. There may be further (but smaller) underspends in 2013/14 as the growth in Special Resource Provision is being funded from anticipated savings.

The main pressure points identified for 2013/14 include:

- Growth in funding to support LDD students in sixth forms and colleges

- Converting notional resource ladder allocations to actual resource ladder allocations in our special schools

- Growth in the number of places in our Special Schools and Special Resourced Provision in mainstream schools.

**(b) Updates on forecasted expenditure against the High Needs Block for 2013/14**

The Schools Finance Team and Special Needs Team have been working very hard to identify our projected expenditure within the High Needs Block for 2013/14. The biggest areas of expenditure are:

- Place-led funding for schools (including the PRU) and alternative provision;

- Commissioning fees for Waltham Forest pupils attending Waltham Forest special schools and Academies;

- Commissioning fees for pupils attending Independent Special Schools, and mainstream and special schools maintained by other local authorities;

- Commissioning fees for pupils attending mainstream schools (including special resourced provision);

- Commissioning fees for LDD students in sixth form schools and colleges; and

- Centrally retained funding for in-year SEN support and inclusion including outreach services provided by special schools and Academies.

This report highlights the funding issues relating to the first two areas of expenditure which are the biggest for Waltham Forest making up approximately £20m of our £32m budget provision. The other areas of expenditure will be reported on at the 16th January meeting of Schools Forum.

*(1) <u>Place-Led Funding</u>*

The Local Authority has been in detailed discussion (like all other LAs) with both the EFA and other LAs on the number of specialist places it needs for HNLI pupils in 2013/14.

It is important to note that the Local Authority has sought expansion of places in special resourced provision and at William Morris (now part of the Hornbeam Trust with Brookfield House) to meet growing demand, which in the case of William Morris is post-16.

Having agreed these places, with funding taken from the High Needs Block, it is important that the funding is not wasted by places remaining unfilled. Therefore the Local Authority has been in discussion with schools on how we can ensure an acceptable process for filling places whilst at the same time giving as much certainty to special schools on budget profiling in 2013/14. Some of these issues are explained more fully below.

Table 3 below shows the current figures:

**Table 3: Forecasted Expenditure on Place-led funding in 2013/14**

| Provision | April – August All ages | September – March All ages | April – August Post-16 | September – March Post 16 |
|---|---|---|---|---|
| Special Resourced Provision | 150 | 154 | 0 | 0 |
| Whitefield | 330 | 334 | 43 | 48 |
| Joseph Clarke | 85 | 85 | 17 | 17 |
| Belmont Park | 55 | 60 | 3 | 3 |
| Brookfield House | 82 | 85 | 0 | 0 |
| William Morris | 145 | 165 | 63 | 70 |
| Walthamstow Academy | 13 | 15 | 1 | 3 |
| Independent and non-maintained (INMSS] | 62 | 60 | 14 | 21 |
| **Total Places at £10,000** | **922** | **958** | **141** | **162** |
| PRU – Hawkswood | 26 | 26 | 0 | 0 |
| PRU – Hawkswood Centre | 26 | 26 | 0 | 0 |
| PRU – Burnside | 84 | 84 | 0 | 0 |
| Alternative Provision | 161 | 160 | 5 | 3 |
| **Total Places at £8,000** | **297** | **296** | **5** | **3** |
| **Overall Total** | **1219** | **1254** | **146** | **165** |

Thus on this basis the cost of place-led funding would be:

| | |
|---|---|
| SEN provision (at £10,000) | £9.430m |
| Alternative Provision (at £8,000) | £2.371m |
| | **£11.801m** |

This leaves **£20.748m** for meeting the cost of commissioning fees and other central support costs.

*(2)* *Commissioning fees for Waltham Forest pupils (whether educated inside or outside the Borough)*

The Special Needs Team and Shehwar Sultan the service accountant with responsibility for SEN have undertaken a detailed analysis of HNLI pupils and students and the commissioning fees for Waltham Forest these pupils and students attending Special Schools. This is all summarised in tables set out in **Appendix A** to this report. The actions taken include:

***Identifying the current pupils on roll and determining whether or not they are Waltham Forest pupils,*** as the Local Authority will only be paying the commissioning fees for pupils for whom Waltham Forest is the responsible LA. It has also enabled us to calculate the commissioning fee that other local authorities should be paying to our special schools and Academies.

In consultation with the special schools they have ***projected forward for known leavers, those staying on for post-16 education and for those pupils already identified for admission (mainly September 2013).*** They have also made judgements on the likely number

of other pupils that the Local Authority may identify for admission (mainly September 2013) based on past admission rates and pupils in the pipeline. However, at this stage information is not complete. Tables 4 and 5 below show the gap between places due to be funded and forecasted numbers and the difficulty at this stage in identifying pupils for admission in September 2013.

**Table 4: Take up of places in April 2013**

| School | Places | WF | Vacant WF | OB | Total | Gap |
|---|---|---|---|---|---|---|
| Belmont Pk | 55 | 52 | 0 | 6 | 58 | -3 |
| Brookfield House | 82 | 64 | 0 | 16 | 80 | 2 |
| Joseph Clarke | 85 | 40 | 0 | 44 | 84 | 1 |
| Whitefield | 330 | 278 | 0 | 51 | 329 | 1 |
| William Morris | 145 | 121 | 0 | 11 | 132 | 13 |
| **Total** | **697** | **555** | **0** | **128** | **683** | **14** |

**Table 5: take up of places in September 2013**

| School | Places | WF | Vacant WF | OB | Total | Gap |
|---|---|---|---|---|---|---|
| Belmont Pk | 60 | 37 | 13 | 5 | 55 | 5 |
| Brookfield House | 85 | 61 | 3 | 16 | 80 | 5 |
| Joseph Clarke | 85 | 36 | 7 | 42 | 85 | 0 |
| Whitefield | 334 | 263 | 32 | 44 | 339 | -5 |
| William Morris | 165 | 102 | 30 | 9 | 141 | 24 |
| **Total** | **729** | **500** | **85** | **115** | **700** | **29** |

The column headed vacant WF is the current prediction of the extra pupils likely to be admitted by September 2013, or shortly afterwards. Clearly, at this stage the position for September 2013 shows a lot of uncertainty.

This creates a problem for the special schools and Academies since they will only know for certain their level of funding for places and the commissioning fees for current pupils. Whilst the Local Authority can make an accurate assessment of commissioning fees for Waltham Forest pupils and students for the period April – August 2013, it can only make provisional allocations for September 2013 onwards as it can only fund special schools for the actual pupils on roll from the date that they commence at the school or Academy. Belmont Park and William Morris special schools are particularly at risk.

The Local Authority will continue to work with special schools to agree a process which minimises the risk for both parties. As stated above, it would be a waste of resources for places to be left unfilled, or indeed filled by new out-borough pupils and students (as special schools cannot refuse a place to an out-borough child if there is a vacant place in the school or Academy).

Again, in consultation with the special schools they have ***identified the level of need for every present and future pupil.*** This raises a significant issue since up to now the practice has been to fund special schools at a notional rate. Whilst there has been a move towards actual level of need in recent years, the restrictions on funding available has meant that for some special schools and especially Brookfield House and Whitefield the overall funding for

the school has been lower than if it were funded on the aggregation of agreed level of need for every pupil.

**Tables A** and **B** in **Appendix A** show the change in funding levels required based on the current assessment of need for pupils remaining at these schools and those forecasted to join. This shift in level of need has been reported to Schools Forum in the past and made clear that the Local Authority may not be able to fund all of this rise against the back ground of zero growth budget. Essentially some 166 level Ds and Es have been replaced mainly level Fs but some level Gs.

The DfE's line on the new funding arrangements for HNLI pupils and students is that it should be broadly cost neutral. The DfE have made it a requirement that the level of funding per pupil in any special school for pupils funded by the maintaining Local Authority should not fall by more than **1.5%** compared with 2012/13. In other words a funding constraint similar to the Minimum Funding Guarantee for mainstream schools.

However, in the case of Waltham Forest, the issue is that we face a significant increase in funding costs without the resources to implement it. **Table C** in **Appendix A** to this report sets out information for all five special schools / Academies comparing funding for this year with provisional funding for 2013/14.

**Table C** gives a breakdown of the funding received in 2012/13. It excludes the £150k of transitional protection for William Morris and the £23k of MFG payable to Belmont Park Special School. In 2012/13, the combined budget share of **£15.601m** shown in column A was partly offset by recoupment income for the out-borough pupils. Recoupment for out-borough pupils in our 5 specials schools, in our mainstream schools and for Hospital Education amounted to some **£3.040m.**

The forecasted figure for 2013/14 shows in column G a total cost of **£16.620m** with the Local Authority funding the place-led funding of £**6.933m** and the commissioning fees of **£7.975m** for Waltham Forest pupils making a total commitment of **£14.908m.** Commissioning fees from other Local Authorities are forecasted to be **£1.711m.**

The average cost per pupil rises on average by **4.7%** (column L) and this is mainly due to adjustments in the resource ladder. The Local Authority (including other LAs) would need to find an extra **£1.019m,** some of which is due to the increase in the number of pupils being educated (693 compared with 680). At a time when the funding of the High Needs Block remains unchanged, the Local Authority simply cannot fund this growth, although it could use some of the SEN savings brought forward from 2011/12. The problem is that this is a one-off source of funding and the problem will still be there in 2014/15.

There are essentially two options open to the Local Authority to explore with Schools Forum and with the Special Schools and Academies:

As the place-led funding is fixed at £10,000 per pupil any revision can only be with commissioning fees, the first option would be to ***revise down the value of commissioning fees at all resource levels by approximately 5%.*** This would save about **£400k** for Waltham

Forest (5% of £6.933m). However, these lower rates would then apply to commissioning fees paid for pupils in special resourced provision and other high needs pupils in mainstream. As previously reported, the resource ladder rates paid to mainstream schools have always been lower than the special school rates and therefore even with a 5% reduction, the new rates would still be higher than what schools currently receive. However, mainstream schools with SRPs would lose out as they are currently resourced at special school rates. Thus the overall saving could be nearer to **£600k.** It also has the advantage of being a long-term solution. If the funding available within the High Needs Block increases in real terms in the future, it would be possible to raise the funding at particular resource levels.

Waltham Forest proposes to use 3 resource ladder rates which reflect the costs of provision at different schools (e.g. low, mid and top range). The current rates for the mid-range and these rates with a **5%** reduction applied and rounded to the nearest £100 are set out in the table below:

**Table 5: Current and Revised Mid-range Commissioning Fee rates for 2013/14**

| Resource Level | Current Rate | Revised Rate | Percentage Change |
|---|---|---|---|
| D | £15,041 | £14,300 | -4.9% |
| E | £19,677 | £18,700 | -5.0% |
| F | £26,478 | £25,100 | -5.2% |
| G | £29,284 | £27,800 | -5.1% |
| H | £36,264 | £34,400 | -5.1% |
| I | £58,587 | £55,600 | -5.1% |

The bottom rate (which applies to Whitefield Special Schools) would be £1,000 lower and the top rate (which applies to Belmont Park Special School) would be £3,000 higher than these rates. The mid-range applies Brookfield House, Joseph Clarke and William Morris special schools.

***Apply a ceiling gain to the growth in funding per pupil*** (similar to that used for mainstream schools)**.** We could apply a ceiling gain of say **3%** per pupil. Columns L of **Table C** in **Appendix A** shows the percentage increase in funding per pupil for each of the schools and Academies. This saves about **£0.450m** in commissioning fees. The advantage of this approach is that it treats special schools in the same way as mainstream schools in restricting gain from the new funding arrangements. As it is applied only to Waltham Forest pupils and students it does not reduce funding from out-borough pupils and students. It also has no knock on effects for mainstream school funding. However, the downside is that it does give a slight incentive to admit out-borough pupils and students.

Our intention is to provide financial information to the five special schools and Academies broken down into two funding streams:

- the period April – August 2013 where we can make firm commitments on both the place-led funding and commissioning fees for Waltham Forest pupils and students and identify the fees which other local authorities should be paying; and

- the period September 2013 – March 2014 where we can once again give firm commitments on place-led funding and commissioning fess for remaining pupils and new admissions already identified and agreed but only provisional commissioning fees based on our estimate of the number of places we are likely to need for new admissions. We would hope to firm these figure up before the end of March 2013.

It is intended to meet with the headteachers of special schools in the near future to discuss these options and how the Local Authority confirms budget shares based on the proposal that at this stage we give definite place–led funding for the whole of the financial year, definite commissioning fees figures for April – August 2013 and provisional commissioning figures for September 2013 to March 2014. However, as these options could impact on commissioning fees for mainstream schools, the views of Schools Forum are being sought.

Further work has also been done for special resourced provision. Table 6 below sets out the latest forecast on provision and commissioning fees. Schools will in addition receive the place-led funding of £10,000 as set out in table 3 above. Comparable figures for 2012/13 were 130 (April) and 139 (September).

**Table 6: Forecast on provision and funding allocated to SRPs**

| | **April - August** | | **September - March** | |
|---|---|---|---|---|
| **School** | **Places** | **Funding** | **Places** | **Funding** |
| Whitehall Primary | 18 | £142,911 | 21 | £232,761 |
| Woodside Primary | 20 | £212,317 | 21 | £312,106 |
| South Grove Primary | 17 | £180,469 | 18 | £267,519 |
| Davies Lane Primary | 15 | £159,238 | 18 | £267,519 |
| Oakhill Primary | 6 | £46,693 | 6 | £65,370 |
| Frederick Bremer Secondary | 9 | £99,293 | 12 | £185,346 |
| Heathcote Secondary | 14 | £118,785 | 15 | £177,778 |
| Chingford Secondary | 18 | £147,578 | 21 | £241,043 |
| Buxton Secondary | 12 | £102,388 | 12 | £143,343 |
| Highams Park Secondary | 6 | £49,193 | 6 | £68,870 |
| Pupil Referral Units | 6 | £49,193 | 6 | £68,870 |
| | | | | |
| **Total** | **141** | **£1,308,055** | **156** | **£2,030,523** |

Commissioning fees for other high needs pupils in mainstream schools and any transitional SEN support for schools will be confirmed in a report to Schools Forum in January 2013 so that mainstream schools will have information on all their budget streams other than early years which will be confirmed at the February meeting of Schools Forum.

**Action by Schools Forum:**

1. **To note the updated information on the size of the High Needs Block.**

2. **To note and discuss any issues arising from information provided on place-led funding.**

3. **To discuss the implications for the Local Authority assuming responsibility for post-16 LDD students in schools with sixth forms and colleges.**

4. **To discuss the significant funding issue for special schools and Academies arising from using actual rather than notional resource ladder allocations. To reach a view on how the Local Authority can limit the cost pressure this creates.**