

**TO: SCHOOLS FORUM**  
**DATE: 17 JANUARY 2019**

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**INITIAL BFC PROPOSALS FOR THE 2019-20  
HIGH NEEDS BLOCK ELEMENT OF THE SCHOOLS BUDGET**  
**Executive Director: People**

**1 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to provide an update to the Schools Forum on the funding arrangements expected to be in place in 2019-20 for the High Needs Block (HNB) element of the Schools Budget and to seek comments on the initial budget proposals that are being presented now by the Council.
- 1.2 Comments are being sought so that these can to be considered before final budget proposals are presented to the Forum on 14<sup>th</sup> March, in advance of 21<sup>st</sup> March when the Executive Member is scheduled to make a formal decision on these matters that will agree a balanced budget.

**2 EXECUTIVE SUMMARY**

- 2.1 As part of central government's on-going reform of school and education funding, changes are being implemented to the way LAs and relevant institutions are funded for High Needs pupils and students. Using the same approach as for funding LAs for their schools, a new HNB national funding formula is being introduced that uses consistent and up to date data, including proxy measures, for the distribution of grant funding.
- 2.2 In order to maintain a degree of funding stability for LAs through a period of significant change, the Department for Education (DfE) has introduced a funding "floor" that will ensure all LAs receive at least a 0.5% increase in 2 – 18 year old population in both 2018-19 and 2019-20. Therefore, this protection is committed through to the end of the current spending review period that has fixed budgets for central government Departments. The total cash increase for Bracknell Forest (BF) was 1.8% in 2018-19 and is currently forecast to be 3.1% in 2019-20, of which 1.9% relates to the extra funding for HNB budgets announced by the government in December.
- 2.3 The underlying allocation of funds to BF through the new funding arrangements provides £2.592m less than under the previous arrangements. Should the current funding "floor" protection be removed, or reduced, then there could be up to a 16% reduction in funding. Managing such a change will present a significant challenge.
- 2.4 Initial proposals for next year's funding arrangements for HNB budgets are now being presented. This is the most complex part of school funding, with a number of funding allocations not due to be confirmed by the DfE until after the 2019-20 budget needs to be set which presents an additional challenge.
- 2.5 Whilst an under spending is currently forecast for 2018-19, significant cost pressures have emerged which when projected as full year costs in 2019-20 indicates a funding shortfall of around £0.29m. Options are being considered to determine how a balanced budget can be set in March, so changes are likely.

### 3 RECOMMENDATIONS

- 3.1 That the Forum **COMMENTS** on the budget proposals set out in the supporting information, and summarised at Annex 1, in order for suggested changes to be considered for the final budget proposals which will be presented to the Forum in March.

### 4 REASONS FOR RECOMMENDATIONS

- 4.1 To ensure that the 2019-20 HNB Budget is set in accordance with the overarching funding framework, the expected needs of pupils and the views of the Schools Forum.

### 5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 A range of options are being presented for consideration as part of the budget setting process.

### 6 SUPPORTING INFORMATION

#### Background

- 6.1 This report presents proposals on the HNB element of the Dedicated Schools Grant (DSG) that supports pupils with special educational needs and disabilities (SEND) and is intended to fund a continuum of provision for relevant pupils and students from 0-24. LAs receive funding for these provisions from the DfE and in general commission services from providers. In-house arrangements are made in a relatively small number of areas.
- 6.2 The DfE has determined that where the cost of provision is above £10,000 it will be classified as high needs. In such circumstances, a “place-plus” approach to funding will generally be used which can be applied consistently across all providers that support high needs pupils and students as follows:
- a. **Element 1 or “core education funding”**: equivalent to the age-weighted pupil unit (AWPU) in mainstream schools, which the DfE has stated the national average is around £4,000.
  - b. **Element 2 or “additional support funding”**: a budget for providers to deliver additional support for high needs pupils or students with additional needs of up to £6,000.  
Specialist and Alternative Providers (AP), such as special schools and Pupil Referral Units (PRUs) only cater for high needs pupils and therefore receive a minimum £10,000 (Element 1 funding plus Element 2) per agreed place.
  - c. **Element 3, or “top-up funding”**: funding above elements 1 and 2 to meet the total cost of the education provision required by an individual high needs pupil or student, as based on the pupil’s or student’s assessed needs. This element is paid to all provider types, for pupils with assessed needs above the £10,000 threshold.

- 6.3 Additionally, HNB DSG is also intended to be used where high needs provisions are not arranged in the form of places e.g. specialist support for pupils with sensory impairments, or tuition for pupils not able to attend schools etc.
- 6.4 The statutory regulatory framework requires the council to decide on the arrangements proposed to be put in place to meet the needs of SEND pupils and the allocation of relevant resources. However, the council wishes to develop the support requirements in partnership with schools and the Schools Forum and therefore this paper seeks views on initial proposals. Final decisions on HNB budgets will be taken following the 14 March meeting of the Schools Forum.

#### Update on current year budget and performance

- 6.5 As the DfE release final HNB DSG funding allocations after the start of relevant financial year, budgets always need to be set on the basis of estimates and are updated in year as necessary. Following agreement of the Forum at its meeting on 15 March 2018, the Executive Member approved an original HNB budget of £14.613m which comprised a gross funding allocation of £16.319m with estimated deductions of £0.594m through the import / export adjustment (see paragraph 6.13 2) and £1.112m for the places deduction (see paragraph 6.28).
- 6.6 Subsequent to setting the original budget, in October 2018 the DfE confirmed the final 2018-19 funding allocation, with gross income now at £16.320m, the import / export adjustment reduced to a deduction of £0.432m and DfE directly funded places reduced to £1.028m. HNB DSG funding managed by the council therefore increased by £0.247m to £14.860m.
- 6.7 On 17 December, the Secretary of State for Education announced an additional £250m of high needs funding – £125m for 2018-19; £125m for 2019-20. This is “in recognition of the cost pressures that LAs are experiencing on the high needs element of this Grant [the DSG]”. The extra funding is being allocated to LAs on their Mid-2019 age 2-18 Office of National Statistics population projections and amounts to £0.302m for BFC in each year. This further allocation increases funding in 2018-19 to £15.163m. Therefore, the final HNB DSG income is £0.549m higher than that anticipated when the budget was set.
- 6.8 Provisional budget monitoring information as at the end of November forecasts a £0.169m under spending on the HNB. Without the extra £0.549m funding, there would be a £0.380m over spending. The forecast financial performance for 2018-19 is a significant change from the last 3 years where an average under spending of £1.081m has been achieved. Whilst a similar level of underspending was not expected in 2018-19, this does highlight the changing financial situation relating to HNB budgets.
- 6.9 As HNB budgets are the most volatile and high cost, variances are commonly experienced compared to original budget expectations, although the scale of change is significantly greater than expected. Budget over spendings are being forecast in respect of:
1. Element 3 top-up payments to BF maintained schools and academies of £0.089m where the number of pupils being supported has increased by 5%, with the average support cost of the 198 pupils increasing by 17% which has resulted in a 22% cost increase.
  2. Element 3 top-up payments for BF resident students in maintained schools and academies in other LAs of £0.347m. The most significant change has occurred

with placements in special schools where the number of pupils being supported has increased by 18%, with the average support cost of the 66 pupils increasing by 26% which has resulted in a 50% cost increase.

3. Education out of school has seen extra pressure, most notably in the home tuition service and alternative provision outside of schools and College Hall Pupil Referral Unit (+£0.217m).

6.10 These have been partially off-set by under spendings in respect of:

1. non-maintained special schools and colleges of -£0.104m. This is the largest cost and most volatile budget. Whilst pupil numbers have increased by 23 (14%), when the increase built into the budget assumed 17 (+10%), the average cost of support has reduced by 4% when it was expected to remain broadly unchanged.
2. other SEND support services at -£0.121m, of which £-£0.080m relates to the deferral of the Early Opportunities Assessment Scheme as a consequence of Kennel Lane Special School being full with no spare accommodation to host the service.
3. the additional -£0.549m HNB DSG income.

6.11 Other centrally managed budgets in the Schools Budget are anticipated to under spend by -£0.068m, making an aggregate forecast under spending against the total expected amount of DSG of £0.237m.

#### DfE Reforms

6.12 The Forum has previously received an update on changed funding arrangements for HNB services which reported that a new National Funding Formula (HNB NFF) will be introduced to replace the current system that largely allocates funding based on historic spending decisions. The core elements of funds distribution to LAs now comprises:

1. **Basic entitlement** (£4,000 per pupil / student that the LA is responsible for educating that is attending an SEN institution)
2. **Historic spend** (50% of 2017-18 baseline amount agreed with each LA)
3. **Population** (Share of national budget allocation based on projected 2-18 year olds at the relevant mid-year as a proportion of all 2-18 year olds)
4. **Free school meals** (Share of national budget allocation based on resident pupils eligible to FSM as a proportion of all pupils eligible to FSM)
5. **Income Deprivation Affecting Children Index** (Share of national budget allocation based on number of 2-18 year olds in IDACI bands A-F as a proportion of all pupils in IDACI bands A-F)
6. **Bad health** (Share of national budget allocation based on number of resident children aged 0-16 in bad or very bad health in the general population census as a proportion of all projected children in bad or very bad health)
7. **Disability** (Share of national budget allocation based on number of resident children aged 0-16 for whom parents are eligible to disability living allowance (DLA) as a proportion of all eligible DLA families)
8. **Key Stage 2 low attainment** (Share of national budget allocation based on number of resident pupils who did not attain level 3 in reading tests plus those

that did not attain a scaled score in reading test or were not entered as a proportion of all relevant children)

9. **Key stage 4 low attainment** (Share of national budget allocation based on number of resident pupils who did not attain 5 GCSEs at grades A\* to G as a proportion of all relevant children).

10. **Hospital education** (LA specific funding based on budgeted spend)

6.13 One of the key outcomes for the DfE from these reforms is to ensure that any change in the amount of funding allocated to individual LAs must be introduced slowly to allow those areas facing reductions time to adjust to the new amounts. This is because expenditure is mainly incurred on educational fees and these generally remain unchanged throughout the course of each pupil's time in the relevant institution which often presents commitments for over 10 years. Therefore, in addition to the core factors set out above, there will be further adjustments to each LAs HNB funding as follows:

1. A funding floor adjustment to add the cash amount difference where the normal operation of the HNB formula does not deliver at least a 0.5% increase in per head (2-18 year old population) funding compared to the 2017-18 baseline amount of expenditure. For 2019-20 a further minimum increase of 0.5% will be applied, making a minimum 1% increase in per head funding over the next 2 years. In order to make the funding protection affordable, gains will be limited to 3% in 2018-19 and a further 3% in 2019-20 (compounded to 6.09% over the 2 years). These increases are not calculated on elements of the formula that are subject to later updates, and are in proportion to estimated population changes (so a projected decrease in population will result in a lower overall cash percentage increase, subject to a cash protection).

There is a net £155m cost to the Funding Floor in 2019-20, which amounts to 2.5% of total funding and illustrates the importance of moving to the new formula in a measured way.

For LAs experiencing a reduction in population, there will be a second funding floor adjustment to ensure total cash funding does not fall below the 2017-18 baseline amount. Note, the funding floor adjustment is not applied to the basic entitlement factor i.e. current numbers of high needs pupils and students or the import / export adjustment (see note 2. directly below) as the DfE want to ensure that year on year changes in these factors are reflected in a LAs funding.

2. An import / export adjustment so those LAs sending out more pupils to other LAs lose £6,000 per pupil funding to reflect the requirement of the resident LA to finance all place funding in the SEN institutions in their area, irrespective of which LA places the student. This amount is added to the £4,000 per pupil / student funding included in the main formula to achieve the £10,000 place funding cost. This is a lagged adjustment. LA funding allocations are adjusted from January census data, but actual places purchased will generally be based on actual student numbers taking up places during the year.

This removes some of the unfairness in the previous funding system where LAs did not generally make a contribution to Element 1 and 2 costs for their students in institutions in other LAs.

6.14 An area cost adjustment will be applied where relevant (7.44% uplift for BFC) to all factors other than historic spend as this will already reflect local cost variations. This recognises additional costs in some areas, most notably enhanced salary payments in

and around London, and follows the same approach adopted by the DfE in the funding reforms introduced for mainstream schools. The HNB area cost adjustment comprises 2 elements: one for non-teaching staff; and another for teaching staff. As the ratio of teaching to non-teaching staff in special schools is different from that in mainstream schools, this calculation is different to that used in the School NFF (where the BFC area cost adjustment is 5.61%).

- 6.15 The Forum has previously been advised that the new HNB NFF will deliver significantly less funding to BF than the current arrangements. A July 2018 update from the DfE indicated £2.592m funding protection for BFC, which is around 16% of total funding which clearly illustrates the importance of the funding floor adjustment from a BF perspective.

#### Changes from the DfE for 2019-20

##### *Special free schools*

- 6.16 From 2019-20 onwards, funding for special free school places will be included in LAs high needs allocations rather than continuing to be funded separately by the DfE. Funding for these places will be deducted from LAs high needs allocations and paid directly to schools, as for special academies. The DfE indicates that the basic entitlement factor (see paragraph 6.12 1), the import/export adjustment (see paragraph 6.13 2) and further adjustments in the national funding formula will ensure that this change will not result in an unfunded cost for local authorities. These further adjustments relate to LAs with a special free school which will now receive £10,000 for every place at the free school and LAs exporting to free schools receiving £6,000 to pay for Element 2 costs. There are no Special free schools located within BF although BF resident pupils are placed in 2 free schools in other LAs.

##### *Hospital education*

- 6.17 The DfE are considering making changes to the funding of hospital education, to replace the current factor equivalent to LA planned spending in 2017-18, plus a 1.0% uplift with a formulaic hospital education factor in the high needs national funding formula, that takes into account both LA spending data and NHS data and therefore better responds to the number of patients needing education. A decision has yet to be taken on whether this will be in place for 2019-20 with the DfE indicating that any changes would not result in any LA seeing a reduction in the hospital education factor amounts included in the provisional 2019-20 funding allocation. There are no hospital education facilities in BF, with £0.020m funding currently being received to purchase out of area support.

##### *Post 16 high needs funding*

- 6.18 From August 2019, funding for post-16 HN places in maintained schools (including maintained special schools) and pupil referral units (PRUs) will remain in the DSG paid to LAs, rather than being deducted from LA DSG allocations and paid back in the same amount as sixth form grant. This makes the funding arrangements simpler and has no practical effect, as LAs already have flexibility to make changes to maintained schools (including maintained special schools) and PRU place numbers by agreeing these place numbers directly with schools and funding them without reference to the DfE.
- 6.19 The DfE will also allow an LA to reach agreement with a mainstream maintained school or academy with a sixth form, a PRU or AP academy with a sixth form, a sixth form or FE college or an independent learning provider (ILP), that the institution's Element 2

funding (see paragraph 6.2 b) can be calculated and paid in a different way directly by the authority, provided the institution is in agreement with the change and it is only intended to meet Element 2 costs, with top ups still paid separately when the assessed cost on an individual's need exceeds the £10,000 DfE threshold.

- 6.20 This flexibility is being introduced to encourage LAs and institutions to work together in making special provision for their students. DfE has indicated examples of alternative approaches could be:
1. An agreement to fund a college directly a lump sum per year over 3 years, to provide certainty to the local authority and college on the level of provision and funding that will be made, subject to specified tolerances relating to the actual number of students with high needs receiving support
  2. An agreement that a school sixth form will be funded for its students with SEND on the basis of similar proxy measures as are in the local pre-16 funding formula
- 6.21 At this stage the council intends to consider the benefits of introducing such flexibility in the coming year, including seeking the views of providers, before making any proposals for change from August 2020.

#### Provisional estimate of 2019-20 HNB DSG income

- 6.22 The allocation of HNB DSG income remains the most complex part of the education funding framework although the introduction of the new HNB NFF results in a more transparent and consistent allocation of funds to LAs.
- 6.23 In July 2018, the DfE issued provisional allocations of high needs funding for 2019-20 which included an additional £120m. As detailed above in paragraph 6.7, there was a further funding announcement in December that confirmed an extra £125m would also be added to the HNB DSG, meaning £245m extra in total.
- 6.24 These provisional allocations will be updated in May/June 2019 using the latest data i.e. for the number of students attending SEN institutions and movements of pupils between LAs, and as such the 2019-20 budget will need to be set using estimated income. The actual allocation of funds through the HNB NFF in 2018-19 and the estimated amount of funding to be received by BFC next year is set out below in Table 1 and shows a provisional cash increase of £0.493m (+3.1%). Note: the 2018-19 actual column excludes the BF share of the £125m December increase. This ensures the total "Change" shown compares to the 2018-19 original budget and not the final allocation. This then illustrates the true increase compared to the current BF budget.

Table 1: HNB National Funding Formula allocation to BFC

Formula Factor	BFC amount		
	2018-19 actual	2019-20 estimate	Change
	£000	£000	£000
1. Basic entitlement factor: pupils and students in SEN institutions at £4,000 each	£898	£898	£0
2. Historic spend	£7,587	£7,599	£12
3. Population - initial funding	£3,435	£3,452	£17
- December 2018 increase *	£0	£302	£302
4. Deprivation: FSM	£357	£327	£30
5. Deprivation: IDACI	£112	£114	£2
6. Children in bad health	£316	£322	£6
7. Disability Living Allowance	£422	£416	£6
8. Low attainment: KS2	£364	£388	£22
9. Low attainment: KS4	£349	£382	£33
10. Hospital education funding	£20	£20	£0
11. Funding Floor Factor	£2,460	£2,593	£133
<b>Confirmed allocation through HNB NFF *</b>	<b>£16,320</b>	<b>£16,813</b>	<b>£493</b>
12. Provisional import / export adjustment (net -72 students "exported" at January 2018)	-£432	-£432	£0
<b>Provisional gross funding *</b>	<b>£15,888</b>	<b>£16,381</b>	<b>£493</b>

Notes to Table 1:

Shaded cells subject to change. Other elements are fixed.

\* the 2018-19 actual column excludes the £0.302m BF share of the £125m December increase. This ensures the total "Change" shown compares to the 2018-19 original budget and not the final allocation to illustrate the true increase in funding compared to the current BF budget.

Calculations subject to roundings so not all columns will cross-tally.

- 6.25 The basic entitlement factor (row 1 of Table 1) which allocates funds at £4,000 per pupil / student in and SEN institutions has been calculated from provisional data. The final allocation will be based on the January 2018 Alternative Provision and October 2018 school census returns and is therefore subject to change.
- 6.26 The import / export adjustment (row 12 of Table 1) of -£0.432m is also a provisional figure based on January 2018 data. It reflects the net 72 of pupils and students resident in BF that receive their education outside of the area which needs to be paid to the importing LA to finance the relevant cost of Element 2 education they are funding for all LAs. This adjustment also deducts funding from LAs for Non-Maintained Special Schools (NMSS) and special post-16 institutions (SPIs) which are then directly funded

by the DfE. Note: this adjustment does not relate to Independent Special Schools and LAs need to directly pay relevant institutions the full cost of education, including Element 1 costs.

- 6.27 The final numbers and import / export funding adjustment will be based on January 2019 national census data returns completed by individual providers that specify the number of high needs student by resident LA. The current estimate from BFC data at October 2018 is for a deduction of £0.600m for 100 pupils. Due to data uncertainty, a margin of error of 10 students (£0.060m) is included in the budget proposals, resulting in an estimated import / export deduction of £0.660m which is a £0.228m increase in the deduction made this year and reflects the general increase in pupils with high needs. Clearly this figure is subject to change.
- 6.28 As in previous years, there will be further adjustments to the amounts of DSG that LAs actually receive to take account of the funding for places paid directly by the DfE. As a starting point, the DfE will directly fund and deduct from each LAs HNB DSG the same number of places as in 2018-19, with LAs able to request changes at the relevant institutions in exceptional circumstances following bids through a place change notification process. The relevant amount of funding deduction is then set irrespective of whether the places are actually taken up. The relevant amount for BFC in 2018-19 is £1.028m.
- 6.29 There is an automatic adjustment to the current amount of deduction to reflect the full year effect impact of the increased funding agreed with Bracknell and Wokingham College (B&WC) from August 2018. To reflect the increased number of students placed at B&WC, the number of directly funded Element 2 places was increased by 39 from 43 to 82. For 2019-20 a further 4 months impact of the agreement needs to be deducted which amounts to £0.078m. There is no financial impact from this as B&WC will no longer be invoicing the council direct for the 39 students involved.
- 6.30 Additionally, as set out above in paragraph 6.18, from August 2019 the places deduction will exclude maintained school sixth forms, including sixth forms in maintained special schools, where LAs will now retain the funding to pay schools direct. The current deduction includes 50 Element 1 and 2 places at Kennel Land Special School (KLS) and 7 Element 2 places in Secondary School Sixth Forms. For 2019-20, £0.361m of the former places deduction (£0.333m for KLS and £0.028m for secondary schools) will be retained by the council to fund relevant institutions.
- 6.31 There is no overall financial impact from this change. In future, the only institutions that will be funded directly by the DfE through the places deduction process, with a consequential deduction from LA DSG, will be limited to academies, FE colleges and other post-16 Independent Learner Providers.
- 6.32 As in previous years, LAs can agree to purchase an increased number of SEN places from relevant providers, with their retained HNB DSG reduced accordingly. Similarly, if less places are purchased, there is an increase in the retained HNB DSG. There is no additional money from this process, rather an adjustment to the amount of DSG retained by LAs to fund local commissioning decisions.
- 6.33 This approach to place funding, whilst providing a degree at funding stability for providers can result in poor value for money for LAs if the actual number of places required in each relevant institution is lower than the number being funded by the DfE. It is also for individual providers to allocate directly funded places to LAs, they do not need to match the number purchased by the DfE for individual LAs. In order to retain maximum amount of funds for flexibility on commissioning, the council does not seek to

increase the number of funded places from one year to the next but will purchase additional places where these are actually required, through negotiation with providers.

- 6.34 DfE will provide further updates to HNB DSG in May and June to reflect import and export adjustments to the high needs funding formula, the outcome of the 2019-20 place change notification process and the direct places deduction. Therefore the 2019-20 BF HNB budget will need to be set against estimated income. Should there be a significant difference between the original estimated amount of funding and the final confirmed amount, a decision will need to be taken in-year as to whether the original budget should be revised and whether any consequential management actions are required.
- 6.35 Based on current information, Table 2 below sets out £15.408m as the estimated amount of HNB DSG to be retained by the council next year.

Table 2: 2019-20 estimated HNB DSG to be retained by BFC

Item	Amount £000
Gross allocation through the HNB NFF (from Table 1)	£16,813
Estimated import / export adjustment (net provisional export of estimated 110 pupils as at January 2019). Paragraph 6.27.	-£660
Estimated places deduction for institutions resident in BF for direct funding by DfE. Paragraph 6.28 <b>Error! Reference source not found.</b>	-1,028
Full year effect impact of increased deduction for B&WC from 43 to 82 directly funded Element 2 students from August 2018. Paragraph 6.29	-£78
<b>Estimated DSG retained by BFC – on 2018-19 basis</b>	<b>£15,047</b>
Estimated impact from August 2019 changes to funding LAs for post-16 HN pupils in maintained schools. Paragraph 6.30.	+£361
<b>Estimated DSG retained by BFC – on 2019-20 basis</b>	<b>£15,406</b>

Proposed use of HNB DSG funding

- 6.36 The general approach adopted in setting the budget in recent years has again been followed for 2019-20, with the SEN Team, supported by Finance, reviewing all HNB budgets. As expected from services that are volatile and high cost in nature, a number of changes are proposed to ensure budgets are set at the level of future forecast expenditure needs, thereby aiding effective monitoring. Annex 1 sets out the proposed budget changes for 2019-20 which the Forum is requested to comment on.
- 6.37 Annex 1 only shows services where budgets are proposed to be changed where the council is financially responsible, and for context and background, the budgets that are forecasting variances in the current year. It does not include any provision for places to be funded in BF resident institutions that are directly funded by the DfE as these are managed through the import / export adjustment and the on-going places deduction process.

6.38 The key proposed changes and assumptions where the financial impact is at least + / £0.025m are:

- 1 Purchase of Places in BF maintained schools: These will remain unchanged at 185 for Kennel Lane Special School and 26 for Meadowvale SEN Resource Unit.
- 2 Kennel Lane Special School: Based on current pupil profile, a £0.125m pressure is expected from 7 more BF pupils receiving Element 3 top up payments compared to last year (from 134 to 141). This reflects the policy of only placing pupils with SEND above the minimum £0.010m core place amount. Therefore, as pupils with lower need leave, they are replaced with those with higher needs. As more children move to higher support needs, the cost of in-year budget changes have been reducing and now average £0.047m in each of the last 3 years. Coupled with there being 183 pupils on roll (BF and other LA placements), with a capacity of 186, the budget is proposed to be reduced by £0.030m to £0.030m.
- 3 Maintained schools and academies: the recent trend on these budgets is for increased cost pressures with a £0.089m forecast over spending in 2018-19 in BF schools as 9 extra pupils (+5%) are supported and £0.347m in other LA schools (mainly Special Schools) where 16 extra pupils have been placed. Whilst the 2018-19 budget anticipated an increase in costs, it was below the current expectation. There is a net overall forecast pressure of £0.362m in 2018-19.

For 2019-20, this is expected to amount to a £0.310m pressure as follows:

- Costs for Element 3 top-up funding for children with Education Health Care (EHC) Plans in BF mainstream schools are forecast to increase by £0.100m. This reflects the anticipated effect of current placements plus an allowance for further growth. 2018-19 saw a 22% increase in cost as numbers rose by 5% and the average cost of support by 17%.
- The most significant budget pressure anticipated next year relates to BF resident pupils with EHC Plans being placed in maintained and academy schools in other LAs. Placements in these institutions have increased by 16 to 94 (+20%). Average cost of support has increased by 25%. At this stage, budget proposals assume a similar level of expenditure in 2019-20 as anticipated for 2018-19 with growth of £0.210m.

A number of changes are proposed to budgets for SEN Resource Units:

- The secondary aged ASD unit at Rise@GHC continues to expand and admit more BF resident (+8) and other LA pupils (+3). As a consequence, additional staffing are required which will ensure the Unit reaches full staffing complement from September 2019 and a pressure of £0.031m has been calculated. 39 students are anticipated to be on roll at that time, with around 8 further students anticipated to be placed in each of the next 2 years as the Unit approaches its capacity limit of 56. The Unit is now fully financed from savings on external placements and income from other LA students. The long term expectation for when the Unit is at full capacity is for annual savings against external placements of £0.424m.
- A £0.036m pressure arises from needing to correct an error in the current base budget for Meadow Vale SEN Resource which currently understates the number of Element 2 funded places by 6.

- With diseconomy funding no longer required for Rise@GHC as the number on roll has now reached a sustainable level the level of contribution to the New SEN Resource Unit can be reduced by £0.092m. Funding will be required for the initial years after opening of the 40 place unit at Kings Academy - Binfield.

- 4 Non-Maintained Special Schools and Colleges: this is the most significant budget being managed in the HNB, amounting to around £4.8m spend in 2018-19. The budget requirement calculation has been undertaken on the same overall basis as in previous years, using trend and average cost data, together with projected changes anticipated by the SEN Team. The most significant changes in next year's proposed budget arise from:
- a. Projecting current pupil and student numbers through to the end of March 2020. This shows a net cost of £0.004m.
  - b. Removing costs for 4 students that will leave ASD provision with new starters attending the Rise@GHC, saving £0.160m.
  - c. Pressure is now being experienced in placements for pre-16 year old pupils. There has been an average net increase of 10 placements during the last 2 years and the SEN Team anticipate this will increase to 14 in 2019-20. The cost addition associated with this is estimated at £0.558m.
  - d. For 16 and 17 year olds, numbers have recently been reducing by 2 and this trend is expected to continue saving £0.068m.
  - e. For 18 year olds and older, in general, this is where the largest increase in numbers has been experienced in recent years as more young people seek to extend their education up to the age of 25. The rate of increase has been around 7 in each of the last 2 years, and this is expected to continue and therefore a cost increase of £0.096m has been included.

The overall cost pressure has been calculated at £0.430m.

- 5 Education other than at school: The number of places purchased at College Hall Pupil Referral Unit will remain unchanged at 46, which closely reflects the current number of admissions. An overall increase of £0.054m is proposed to College Hall and the associated Pupil Referral Service to reflect rising demand and costs. Part of the over spending in 2018-19 will be managed through the new pilot SEN support scheme agreed by the Forum in December.

In respect of other alternative provision, which is forecast to over spend by £0.130m in 2018-19, the SEN Team are considering better ways to manage these costs, including the new pilot SEN support scheme agreed by the Forum in December. An update on progress will be reported to the March Forum meeting.

- 6 Other SEN Support Services: The overall budget is forecast to under spend by £0.121m in 2018-19. The most significant under spending relates to the proposed Early Opportunities assessment service which was due to commence from September 2018, but due to the increased admissions to Kennel Lane Special school, insufficient accommodation was available to provide the service. With admissions remaining high, there is no expectation that the assessment service will operate in 2019-20 and the budget is proposed to be removed.

- 7 Impact of Post-16 SEN Grant transfer into DSG: Paragraph 6.18, sets out that from August 2019, the DfE will no longer deduction sixth form high needs funding from an LAs DSG for their maintained schools and pay back through the Post-16 SEN grant. The money will be retained in an LAs DSG to directly allocate. For 2019-20, this will amount to £0.028m in secondary sixth forms and £0.333m for Kennel Lane. Budget adjustments have been made accordingly which will be offset by a matching reduction in the budget for Post-16 SEN grant. There will be a full year effect adjustment for this change in 2020-21.

Annex 2 sets out a high level summary of the current High Needs Block budget and those currently being identified for 2019-20.

#### Impact of emerging budget pressures

- 6.39 Members of the Forum will be aware that many LAs face significant challenges in managing their HNB DSG income across the needs of pupils and that many are over spending. Indeed, the government have recognised this with the very recent funding announcement. Whilst to date this has not been the case in BF, the emerging significant increase in costs and the difficulty in presenting balanced budget proposals to this meeting, despite the increase in funding illustrates the deteriorating financial situation.
- 6.40 The DfE recognise these difficulties and where agreed with the local Schools Forum, permit up to 0.5% of an LAs Schools Block budget to be transferred into High Needs budgets. This equates to around £0.350m in BF. Whilst the expectation is that a balanced budget can be presented for 2019-20, future budget prospects are more uncertain, especially as DSG funding has yet to be announced.
- 6.41 In the current circumstances, the council will have to consider needing to make such a request from 2020-21 and will therefore commence preparations for that possibility. This does not confirm a need to make the transfer, but ensures adequate time is available to determine the likely cost position and to undertake a full consultation with all schools to gather views.
- 6.42 Where a local Schools Forum does not agree a funding transfer request from an LA, an appeal can be made to the Secretary of State. If required, this will need to be submitted no later than 30 November 2019. To meet this deadline, views from schools will therefore need to be gathered during the summer term 2019.

#### Next steps

- 6.43 The views of the Schools Forum regarding the initial 2019-20 budget proposals from the council will be considered, and where agreed, included in the final budget proposals that will be presented to the Forum for comment on 14 March. This will need to reflect the anticipated level of resources and needs of individual pupils and young people and is expected to present a significant challenge.

## **7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

7.1 The relevant legal issues are addressed within the main body of the report.

### Director of Finance

7.2 The financial implications anticipated from this report are set out in the supporting information. Any changes to the proposals requested by the Forum will need to take account of the financial implications and affordability.

### Equalities Impact Assessment

7.3 The budget proposals ensure funding is targeted towards vulnerable groups and an EIA is not required.

### Strategic Risk Management Issues

7.4 The funding reforms, and the demographic growth and legislative pressures present a number of strategic risks, most significantly:

1. The practical implementation of the changes arising from the funding reforms may be different from that anticipated from the DfE guidance notes
2. Insufficient funding to cover increases that may occur in-year in the required number of high needs places.
3. Price increases by providers.
4. The ability of the market to absorb an increasing number of high needs pupils.

## **8 CONSULTATION**

### Principal Groups Consulted

8.1 Relevant Heads of Service within People Directorate and the People Directorate Management Team.

### Background Papers

None.

### Contact for further information

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### Doc. Ref

K:\Pine\Executive\Schools Forum\91) 170119\Forum 2019-20 Initial Budget Preparations - HN Block v1.doc

### Provisional detailed changes proposed to the 2019-20 High Needs Budgets

Line Ref	Description	2018-19 Forecast Variance C £	Proposed Budget Change			Proposed 2019-20 Budget G £	Summary Comment H
			Placements D £	Element 3 E £	Other budgets F £		
1	Post-16 SEND pupils in maintained school sixth forms	0	28,000	0	0	28,000	Reflects the change in funding being introduced by DfE from August 2019 and provides funding for 7 Element 2 places for BF to directly purchase, rather than the DfE.
		<b>0</b>	<b>28,000</b>	<b>0</b>	<b>0</b>	<b>28,000</b>	
<b>Funds Delegated to Special School: pre-16</b>							
2	Kennel Lane Special School - original pre-16 budget (BFC responsibility only)	33,000	125,000	0	0	4,027,800	Current estimate is for initial budget requirement of £4.028m. Includes 185 purchased places and funding for 153 anticipated BFC resident pupil top up payments where more high cost pupils are attending.
3	Kennel Lane Special School - in-year budget changes (BFC responsibility only)	-7,000	0	-30,000	0	30,000	To better reflect average spend in last 3 years of £0.047m, together with the general increase in pupil numbers and the increasing average cost of Element 3 payments limiting further increases.
		<b>26,000</b>	<b>125,000</b>	<b>-30,000</b>	<b>0</b>	<b>4,057,800</b>	
<b>Funds Delegated to Special School: post-16</b>							
4	Kennel Lane Special School - original post-16 budget	0	333,000	0	0	-172,360	Reflects the change in funding being introduced by DfE from August 2019 and provides funding for 50 Element1 and 2 post-16 places for BF to directly purchase, rather than the DfE.
		<b>0</b>	<b>333,000</b>	<b>0</b>	<b>0</b>	<b>-172,360</b>	

Line Ref	Description	2018-19 Forecast Variance
A	B	C
		£

Proposed Budget Change		
Placements	Element 3	Other budgets
D	E	F
£	£	£

Proposed 2019-20 Budget	Summary Comment
G	H
£	

### Maintained Schools & Academies

5	Contribution to New BF SEN Resource Unit Reserve	0
6	BF Secondary School SEN Resource Unit	-47,000
7	BF Secondary School SEN Resource Unit - Premium fee rate	0
8	BF Primary SEN Resource Unit	36,000
9	BF mainstream schools - Element 3 top up payments	89,000
10	BF mainstream schools - Element 3 short term interventions	-20,000
11	BF Early Years - Element 3 top up payments	-15,000
12	BF mainstream schools – top up to schools with disproportionate number of HN pupils	-14,000
13	BF Schools in Financial Difficulty - HN Block	-14,000
14	Other LA maintained schools and academies – funding for BF resident pupils	347,000

0	0	-92,190
30,950	0	0
0	0	1,300
36,000	0	0
0	100,000	0
0	0	-15,500
0	-15,700	0
0	-10,000	0
0	0	-14,470
0	210,000	0

30,000	Diseconomy funding no longer required for Rise@GHC as the number on roll has now reached a sustainable level. Funding may be required for the initial years after opening of the 40 place unit at Kings Academy - Binfield. Circa £0.490m expected to be in SEN Resource Unit Reserve at 1 April 2019.
820,000	Reflects anticipated £0.820m cost of the Unit, which will have reached full staffing compliment from September 2019. 39 Students anticipated being on roll at that time, with around 8 further students anticipated to be placed in each of the next 2 years as the Unit approaches its capacity limit of 56. The Unit is now fully financed from savings on extremal placements and income from other LA students.
-29,300	Income from other LAs as a contribution to diseconomy costs at the Rise@GHC. More BF students are now on roll reducing income from other LAs.
268,790	Corrects an error in the current base budget that understates the number of Element 2 funded places by 6.
946,600	Reflects current spend, plus allowance for additional payments, based on recent trend.
10,000	Reflects current spend, plus future expectations.
20,000	Reflects current spend, plus future expectations.
40,000	Reflects current spend, plus future expectations.
0	Reflects current spend, plus future expectations.
1,239,180	Reflects current spend, plus future expectations.

**362,000**

**66,950**

**284,300**

**-120,860**

**3,345,270**

Line Ref	Description	2018-19 Forecast Variance
A	B	C
		£

Proposed Budget Change		
Placements	Element 3	Other budgets
D	E	F
£	£	£

Proposed 2019-20 Budget	Summary Comment
G	H
£	

### NMSS & Colleges

15	Non-Maintained Special Schools and FE Colleges	-653,000
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0	430,410	0
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5,511,000	The under spending in 2018-19 is generally accounted for from the £0.549m in-year increase in DSG income that was not reflected in the budget. Forecast cost for 2019-20 is £5.511m. Rolls forward current commitments, plus allowance for 10 net new pre-6 starters and net 5 new post-16 placements reflecting recent experience and current expectations. £0.160m saving removed to reflect ASD leavers with starters attending Rise@GHC.
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**-653,000**

**0      430,410      0**

**5,511,000**

### Education out of School

16	College Hall Secondary aged Pupil Referral Unit	-5,000
17	Other Pupil Referral Services e.g. outreach, home tuition.	101,000
18	Share of Head of Targeted Services	-15,000
19	Alternative Provision for Primary Aged pupils without a statement	30,000
20	Alternative Provision for Secondary Aged pupils without a statement	104,000
21	Other minor variances	2,000

0	32,510	-5,000
0	0	27,220
0	0	0
0	0	0
0	0	0
0	0	0

785,400	Reflects the increased occupancy rate at the Unit, together with recognition of a number of unfunded cost increases that have had to be absorbed in the budget.
350,000	The outreach budget is proposed to increase to cover the cost of current staffing with home tuition increased to reflect rising demand. Part of the over spending in 2018-19 will be managed through the new pilot SEN support scheme agreed by the Forum in December.
22,700	2018-19 under spending from vacant post.
50,500	SEN Team considering better ways to manage these costs, including the new pilot SEN support scheme agreed by the Forum in December.
20,200	SEN Team considering better ways to manage these costs, including the new pilot SEN support scheme agreed by the Forum in December.
62,740	

**217,000**

**0      32,510      22,220**

**1,291,540**

Line Ref	Description	2018-19 Forecast Variance
A	B	C
		£

Proposed Budget Change		
Placements	Element 3	Other budgets
D	E	F
£	£	£

Proposed 2019-20 Budget	Summary Comment
G	H
£	

**Other SEN Services**

22	Equipment for SEN Pupils	-7,000
23	Medical support to pupils pre 16	58,000
24	Therapies and other specialist support	-48,000
25	SEN - share of Head Targeted Services	-17,000
26	Early Opportunities	-80,000
27	Other support to early years pupils	-17,000
28	Other minor variances	-10,000

0	0	0
0	0	0
0	0	0
0	0	0
-88,000	0	0
0	0	0
0	0	0

22,290	
65,360	
647,090	
34,210	
0	No capacity at Kennel Lane Special School to manage the service.
395,180	
38,310	

**-121,000**

**-88,000      0      0**

**1,202,440**

**Grand Total - Relevant budgets only      -169,000**

**464,950      717,220      -98,640**

**TOTAL CHANGE**

**1,083,530**

**2018-19 base budget funding**

**14,613,400**

**Estimated DSG income**

**15,408,500**

**Forecast over spending**

**288,430**

