

Consultation with Schools on the Need for a Transfer of Funding Between the Schools Funding Block and the High Needs Funding Block

1. Introduction

The Council wish to consult with schools on a planned transfer of funding from the Schools Funding Block to the High Needs Funding Block, to enable the Council to set a balanced in Year Dedicated Schools Grant (DSG) Budget for 2019/20. These funds are required to assist with supporting the significant growth experienced in Hillingdon in the number of Education, Health and Care Plans (EHCP) that have been issued and also to recognise the increase in the complexity of need that these children and pupils have.

2. Proposal

Relevant Stakeholders are being asked to comment on the following proposals:

- i) To transfer 0.5% from the Schools Funding Block to cover the 2018/19 budget pressures in High Needs in 2019/20, estimated to equate to approximately £1,100k.
- ii) To transfer an additional 1.45% from the Schools Funding Block to cover ongoing budget pressures in High Needs in 2019/20, estimated to equate to £3,190k. If schools and Schools Forum agree this approach, the final decision will still rest with the DfE. The Council will need to submit a disapplication request by the 30 November 2018, which they can do even if schools and Schools Forum do not agree with this proposal.

Where stakeholders do not agree with these proposals, the Council and Schools Forum would welcome alternative proposals to enable an in year balanced budget to be set for 2019/20.

3. Background

The Council and Schools Forum are conscious that seeking a transfer of £4,290k from the Schools Funding Block to support the cost of supporting children and pupils with High Needs requires an explanation of why such a significant sum is required and to evidence what steps have been taken to try to address this position. The following paragraphs sets out a journey and an explanation of how the DSG in Hillingdon is in deficit to the tune of an estimated £7.7 million and what steps the Council and Schools Forum have taken to try to address this, including the level of savings that have been made.

In order to fully understand the movements in the DSG, it is worth starting at the point where the Schools Fair Funding Formula was introduced in 2013/14, highlighting what changes have been made since the introduction of the new system and the impact on the DSG budget. Within this timeline, the Children and Families Act 2014 was enacted, which also has had an impact on the DSG Budget.

A joint letter was sent to the Secretary of State this week by The Society of London Treasurers and Society of County Councils, lobbying for additional funding. The letter noted that since this legislation was passed there has been a 35% increase nationally in the number of Education and Health Plans, yet over the same period the eligible child population has only increased by 1%. The letter also noted that it was expected that 100% of London authorities would have a deficit on the DSG High Needs Block in 2019/20 (currently 88%).

The London Borough of Hillingdon has undertaken a review of the cost pressures that exist within the Dedicated Schools Grant (DSG) and has identified that the reasons for the deficit in the DSG can be traced back and attributed to the introduction of the Children's and Families Act 2014 and the new burdens imposed on local authorities. It is evident that there is a shortfall in the funding provided by the Department for Education (DfE), when compared to the true cost of providing support to the extended age range, which for Hillingdon equates to £3,936k. It is also evident that the Council cannot address this funding gap by delivering savings of this magnitude from the retained DSG. It is also clear that this level of savings cannot be made by reducing funding to Early Years providers or to the funding of high needs placements without having a significant impact on pupils, schools and providers. This is not to say the Council has not reviewed these areas, in fact the Council is consulting with all Early Years providers on a proposed reduction to the base rate level of funding provided. However, even if agreed, this would only generate a maximum saving of £200k. Therefore, the only option available is to consult with stakeholders on moving the required funds from the Schools Funding Block.

Explanation for the Current Cumulative Deficit Balance

At the end of 2017/18 the Outturn position for the DSG, was an in year overspend of £2,989k, resulting in a cumulative deficit of £4,125k. The projected position for 2018/19 indicates a significant further worsening of the deficit, with an in year projected overspend of £3,540k. and a cumulative deficit of £7,665k.

To understand how the DSG is in deficit to the tune of £7,665k, it is worth looking back historically at the position of the DSG over the last 7 years, following the implementation of the Schools Fair Funding Formula, the move towards the National Funding Formula and the introduction of the Children and Families Act 2014, which is set out in table 1 below:

Table 1

Year	Balance Brought Forward £000	In Year (Surplus)/ Deficit £000	Balance Carried Forward £000
2012/13	(226)	(483)	(709)
2013/14	(709)	(3,072)	(3,781)
2014/15	(3,781)	(302)	(4,083)
2015/16	(4,083)	3,217	(866)
2016/17	(866)	2,002	1,136
2017/18	1,136	2,989	4,125
2018/19	4,125	3,540	7,665

This indicates that between the period 2012/13 to 2014/15, the DSG was in surplus, both in year and cumulatively. However, from 2015/16 the position changes to an in year deficit, resulting in a cumulative deficit position by the end of 2018/19.

The main movements are set out in more detail in Table 2 below, which breaks down the in year position further into the relevant funding streams from 2012/13. This also includes the transfer of surplus balances into the Schools Funding Block, which the Council is required to review, where it holds excessive balances:

Table 2

Year	Early Years £000	Centrally Retained £000	High Needs £000	Additional Funds Delegated To Schools £000	Total £000
2012/13 Closing Balance	(283)	(426)			(709)
2013/14	(2,063)	0	(1,009)	0	(3,072)
2014/15	(1,838)	1,066	(824)	1,294	(302)
2015/16	341	628	539	1,709	3,217
2016/17	389	261	901	451	2,002
2017/18	368	273	2,348	0	2,989
2018/19	188	416	2,936	0	3,540
Total	(2,898)	2,218	4,891	3,454	7,665

Based on this further analysis, Early Years contributed an underspend of £2,898k, which is due primarily to the additional funding provided for the roll out of the two year old free entitlement offer, where the take up was lower than the sums provided. As a result of this, surplus balances totalling £3,454k were transferred into the Schools Budget across a three year period 2014/15 to 2015/16.

The overspend in Centrally Retained budgets in years 2014/15 and 2015/16 related to additional funding provided to schools from the Growth Contingency, predominantly for the new basic need academy schools. The overspend in 2017/18 relates to copyright licences, which continues into 2018/19, additionally there is a further pressure of £254k in 2018/19 relating to the Skills Hub, which provides alternative education provision.

What is more interesting is that up to 2014/15, High Needs budgets actually underspent in both years, however, from 2015/16 onwards, the High Needs budget has consistently overspent, which has worsened each year up to 2018/19. This would appear to tie in with the introduction of Education, Health and Care Plans, and the change to the applicable age range, which was extended to include 0 to 25 from 5 to 19, introduced as part of the Children and Families Act 2014, that came into effect on 1 September 2014.

High Needs Pupil Numbers

In 2014/15, Hillingdon's High Need population stood at 1,503 pupils, this figure has increased significantly over the last 4 years, where for 2018/19, the number of pupils that have a EHCP stands at 2,209, an increase of 706 pupils (equivalent to a 47% increase). Assuming an average cost of £25k per placement and an even distribution across the year, this would equate to an increase of £8.825 million.

Appendix 1 sets out the distribution of the growth across the type of placement from 2014/15 to 2018/19, which is summarised in Table 3:

Table 3

Type of Setting	Change in Pupil Numbers from 2014/15	Change %	2018/19 Pupil Numbers	2014/15 Pupil Numbers
Mainstream Schools	183	27.9%	839	656
Maintained & Academy Special Schools	176	29.2%	778	602
SRPS within Mainstream Schools	19	24.4%	97	78
Non-maintained & Independent Schools	-7	-4.7%	141	148
Other (EOTAS)	12	171.4%	19	7
FE Settings/ISP	314	3140.0%	324	10
Early Years Settings	9	450.0%	11	2
Total	706	47.0%	2,209	1,503

This demonstrates that of the total 706 growth in pupil numbers, 378 pupils (53.5%) are placed in Hillingdon mainstream schools and special schools. However, it is also evident that 314 pupils (44.4%) are placed in FE Settings, demonstrating the impact of the extension of the age range in the Children's and Families Act 2014.

Appendix 2 sets out a slightly different analysis based on the number of pupils placed in each sector over the period 2013/14 to 2018/19, which is summarised in Table 4:

Table 4

Sector	Change in Pupil Numbers from 2013/14	Change %	2018/19 Pupil Numbers	2013/14 Pupil Numbers
Nursery	-1	-7.14%	13	14
Primary	212	31.74%	880	668
Secondary	126	20.97%	727	601
16-18	137	65.55%	346	209
19-25	243	100.00%	243	0
Total	717	48.06%	2,209	1,492

This demonstrates that there has been growth in all of the sectors, except Nursery. It also demonstrates the significant disproportionate growth experienced in both 16 to 18 and 19 to 25 provision.

It is then useful to consider the financial impact of these changes based on a high level placement analysis over the period 2013/14 to 2018/19, which is set out in Appendix 3 and summarised in Table 5:

Table 5

Setting	Change in Actuals from 2013/14	Change %	2018/19 Actual £000	2013/14 Actual £000
School	7,562	59.25%	20,325	12,763
FE	3,231	557.31%	3,811	580
Independent	-1,143	-17.94%	5,229	6,372
Total	9,650	48.95%	29,365	19,715

This demonstrates that the pupil growth in the FE Sector translates into a significant increase in costs, but it also demonstrates that the Council has taken steps to reduce the cost of Independent School placements

Appendix 4 sets out the number of Special Educational Needs (SEN) pupils in Hillingdon based on the primary need of the child over the period 2014/15 to 2018/19, which is summarised in Table 6:

Table 6

Primary Need	Change in Pupil Numbers from 2014/15	Change %	2018/19 Pupil Numbers	2014/15 Pupil Numbers
ASD	366	74.4%	858	492
Speech, Language and Communication Needs (SLCN)	22	6.6%	355	333
Moderate Learning Difficulties (MLD)	33	18.8%	209	176
Severe Learning Difficulties (SLD)	24	17.6%	160	136
Social Emotional and Mental Health Needs (SEMH)	53	46.1%	168	115
Physical Disability (PD)	45	59.2%	121	76
Other/medical	42	135.5%	73	31
Hearing Impairment (HI)	4	9.3%	47	43
Profound and Multiple Learning Difficulties (PMLD)	17	54.8%	48	31
Specific Learning Difficulties (SpLD)	3	9.1%	36	33
Visual Impairment (VI)	2	9.1%	24	22
Multi-Sensory Impairment (MSI)	0	0.0%	3	3
Unclassified	95	791.7%	107	12
Total	706	47.0%	2,209	1,503

This indicates that there has been a significant increase in the number of children with an ASD Primary Need, which has grown by 366 pupils (equivalent to 74.4%).

DfE Funding Allocations

A review of the funding provided by the DfE demonstrates that Councils have been provided with additional funding, which is set out in Table 7, which is compared to the actual cost in each given year. It should be noted that the DfE figures exclude any technical adjustments:

Table 7

Year	DfE Allocation for Growth £000	Hillingdon Actual/ Projected £000	Difference From DfE Allocation £000
2015/16	662	1,928	+1,266
2016/17	559	1,460	+901
2017/18	1,100	3,448	+2,348
2018/19 - Projected	1,710	4,646	+2,936
Total Funding	4,031	11,482	+7,451

This indicates that the DfE have provided Councils with additional funding, totalling £4,031k, over the 4 year period 2015/16 to 2018/19, which is quite significant in 2018/19. However, this has not kept pace with the actual growth experienced by Hillingdon, leaving a gap of £7,451k (of this £3,231k relates to growth in the Post 16 funding), which on its own almost explains why the DSG Retained Budget has a cumulative deficit of £7,665k.

A review of the High Needs National Funding Formula highlights that the base entitlement (based on the number of pupils in special schools and special post-16 institutions) does not take into account FE College placement numbers (for Hillingdon this equates to 167 places) nor does it take into account the true cost of those in special post-16 institutions, where the formula only allocates £4,000 per place but the actual cost is £40,000. For Hillingdon this equates to a potential funding shortfall of £1,964k.

Hillingdon's DSG Retained Budget

Over the last two years, the Council has made savings totalling £2,944k (£1,017k in 2017/18 and £1,927k in 2018/19), which have been taken out of the Retained DSG budgets. Table 8 sets out the budgets that the Council retains within the DSG:

Table 8

	Cost Centre	2019/20 Revised Budget £
Early Years		
	24509 DSG-Early Years Advisory Teachers	222,802
	24329 Family Information Service	297,773
Total Early Years		520,574
High Needs		
	22991 Therapy Services	421,700
	23120 Sensory Needs Team	580,141
	20310 AAD Inclusion Team	649,299
	23110 Early Years Support Team	194,547
	23130 Management Team	14,000
	23150 Overheads SEN	214,831
Total High Needs		2,074,518
Centrally Retained		
	11728 School Placement & Admissions	493,577
	60224 Hillingdon Virtual School	574,258
	60671 School Safeguarding	189,142
	23161 DSG Funded Business Support	65,200
	24355 Education Services Grant Retained Functions	753,900
	24702 Schools Forum	5,000
Total Centrally Retained		2,081,077
Total DSG Budget Baseline 2018/19		4,676,170

Steps Taken to Date to Address Budget Position

Set out below are a range of actions taken by the Council and Schools Forum as part of their review of the DSG Budget over the last 6 years.

- (i) Following the roll out of the new Top-up funding mechanism for High Needs placements, the Council introduced a Banded Funding model, which allocated resources to schools based on the need of a child. This was well received by schools and indeed was adopted by one of Hillingdon's local Independent Non-maintained Special Schools.

- (ii) The Council undertook a major review of all Out of Borough and Independent School placements, and had been very successful in reducing the number of children placed in these establishments, which has resulted in a reduction in costs of £1,143k since 2013/14.
- (iii) The Council has ensured that for every new school build or school extension, that a Special Resource Provision is considered as part of the design, to provide further local capacity. Additionally the Council has identified how it will use the additional circa £3 million SEND capital funding that has been provided to increase local capacity.
- (iv) The Council has supported a number of new free school bids, which will provide additional local capacity to meet the needs of children with a ASD primary need.
- (v) The Council has and continues to work with all key stakeholders on the development of an Additional Needs Strategy.
- (vi) The Council works collaboratively with the West London Alliance to review and manage the cost of Independent School placements, which has ensured that any price uplifts are managed across a number of local authorities.
- (vii) Over the last two years, the Council has identified savings totalling £2,944k (£1,017k in 2017/18 and £1,927k in 2018/19) and in addition has required a transfer of £1,078k (the full allowable 0.5% of the School Funding Block) in order for it to be able to set a balanced budget. One of the savings in 2018/19, takes out the entire contingency of £500k, which the Council has retained to manage any in year variances.
- (viii) The Council has embarked on a major review of High Needs funding, to understand why Hillingdon has experienced such significant High Needs population growth. Hillingdon currently has 3.6% of it's pupil population on a plan whereas the national average is 2.9%.

1. Summary

In summary, the review identified the following:

- i) Hillingdon had a good track record of managing the Dedicated Schools Grant (DSG) Budget up to the end of 2015/16, holding a surplus balance over the last 5 years.
- ii) The High Needs funding block was also well managed, with underspends in both 2013/14 and 2014/15.
- iii) Schools have benefitted from the reinvestment of surplus DSG balances, totalling £3,454k over the period 2014/15 to 2016/17.
- iv) Hillingdon has received a proportionately high level of growth funding from the Department for Education (DfE) in the High Needs Block, totalling £4,031k.

- v) The Council has made savings totalling £2,944k over the last two years to try to address the pressures in High Needs.
- vi) Hillingdon's DSG has a projected cumulative deficit of £7,665k at the end of 2018/19, which can be traced back to the new burdens introduced as part of the Children's and Families Act 2014.
- vii) The number of pupils with a Statement of Special Educational Needs (SEN) and Education, Health and Care Plans (EHCP) has grown by 706 pupils, equivalent to an increase of 47% over the period 1 April 2014 to projected position 31 March 2019, which compares to the national average increase of 35%.
- viii) The actual and projected cost of High Needs placements is expected to be in the region of £11,482k over the four year period 2015/16 to 2018/19, which is £7,451k above the funding received from the DfE.
- ix) The High Needs National Funding Formula does not effectively provide funding for post 16 pupils, and in fact does not capture FE College numbers.
- x) The Council has undertaken a number of major reviews of High Needs expenditure, including Out of Borough and Independent School Placements.

The data set out in this report demonstrates that Hillingdon were able to manage the DSG budget effectively up until 2015/16, where from this point, the DSG starts to fall into deficit. The further analysis provides compelling evidence that the main reason for the cumulative deficit relates to the level of funding provided by the DfE not keeping pace with the true cost of High Needs placements (those pupils that have a Statement of SEN or a EHCP) and does appear to have under estimated the impact of extending the age range to cover 0 to 25 year olds, where Hillingdon has seen a significant increase in costs totalling £7,451k from the beginning of the 2015/16 financial year.

Over this period the Council has made significant savings totalling £2,944k on those budgets held centrally. The amount of funds retained now stands at £4,676k, which enables the Council to provide a range of critical services predominantly to support vulnerable children.

Growth Analysis Based on Type of Setting

Type of Setting	2018/19		2017/18			2016/17			2015/16			2014/15			
	Change in Pupil Numbers from 2014/15	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers			
Mainstream Schools	183	27.9%	839	86	11.4%	753	15	2.0%	738	72	10.8%	666	10	1.5%	656
Maintained & Academy Special Schools	176	29.2%	778	22	2.9%	756	103	15.8%	653	10	1.6%	643	41	6.8%	602
SRPS within Mainstream Schools	19	24.4%	97	-13	-11.8%	110	12	12.2%	98	15	18.1%	83	5	6.4%	78
Non-maintained & Independent Schools	-7	-4.7%	141	14	11.0%	127	0	0.0%	127	8	6.7%	119	-29	-19.6%	148
Other (EOTAS)	12	171.4%	19	-79	-80.6%	98	19	24.1%	79	67	558.3%	12	5	71.4%	7
FE Settings/ISP	314	3140.0%	324	68	26.6%	256	149	139.3%	107	8	8.1%	99	89	890.0%	10
Early Years Settings	9	450.0%	11	8	266.7%	3	-13	-81.3%	16	13	433.3%	3	1	50.0%	2
Total	706	47.0%	2,209	106	5.0%	2,103	285	15.7%	1,818	193	11.9%	1,625	122	8.1%	1,503

Growth Analysis Based on Sector

			2018/19			2017/18			2016/17			2015/16			2014/15			2013/14
	Change in Pupil Numbers from 2013/14	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers
Nursery	-1	-7.1%	13	0	0.0%	13	1	8.3%	12	5	71.4%	7	3	75.0%	4	-10	-71.4%	14
Primary	212	31.7%	880	7	0.8%	873	111	14.6%	762	64	9.2%	698	33	5.0%	665	-3	-0.4%	668
Secondary	126	21.0%	727	36	5.2%	691	56	8.8%	635	14	2.3%	621	40	6.9%	581	-20	-3.3%	601
16-18	137	65.6%	346	17	5.2%	329	36	12.3%	293	51	21.1%	242	30	14.2%	212	3	1.4%	209
19-25	243	100.0%	243	46	23.4%	197	81	69.8%	116	59	103.5%	57	17	42.5%	40	40	100.0%	0
Total	717	48.1%	2,209	106	5.0%	2,103	285	15.7%	1,818	193	11.9%	1,625	123	8.2%	1,502	10	0.7%	1,492

Financial Impact of Growth Across Sectors

			2018/19			2017/18			2016/17			2015/16			2014/15			2013/14
	Change in Actuals from 2013/14	Change %	Actual £000	Change £000	Change %	Actual £000	Change £000	Change %	Actual £000	Change £000	Change %	Actual £000	Change £000	Change %	Actual £000	Change £000	Change %	Actual £000
School	7,562	59.2%	20,325	1,995	10.9%	18,330	1,818	11.0%	16,512	642	4.0%	15,870	2,410	17.9%	13,460	697	5.5%	12,763
FE	3,231	557.3%	3,811	544	16.6%	3,267	1,338	69.4%	1,929	593	44.4%	1,336	586	78.1%	750	171	29.4%	580
Independent	-1,143	-17.9%	5,229	573	12.3%	4,657	4	0.1%	4,652	-199	-4.1%	4,851	-1,314	-21.3%	6,166	-206	-3.2%	6,372
Total	9,650	48.9%	29,365	3,111	11.9%	26,253	3,160	13.7%	23,093	1,036	4.7%	22,058	1,682	8.3%	20,376	661	3.4%	19,715

Growth Analysis Based on Type of Need

	Change in Pupil Numbers from 2014/15	Change %	2018/19			2017/18			2016/17			2015/16			2014/15
			Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers	Change in Pupil Numbers	Change %	Pupil Numbers
Primary Need															
ASD	366	74.4%	858	116	15.6%	742	103	16.1%	639	74	13.1%	565	73	14.8%	492
Speech, Language and Communication Needs (SLCN)	22	6.6%	355	-2	-0.6%	357	7	2.0%	350	22	6.7%	328	-5	-1.5%	333
Moderate Learning Difficulties (MLD)	33	18.8%	209	8	4.0%	201	15	8.1%	186	14	8.1%	172	-4	-2.3%	176
Severe Learning Difficulties (SLD)	24	17.6%	160	-32	-16.7%	192	20	11.6%	172	16	10.3%	156	20	14.7%	136
Social Emotional and Mental Health Needs (SEMH)	53	46.1%	168	1	0.6%	167	17	11.3%	150	16	11.9%	134	19	16.5%	115
Physical Disability (PD)	45	59.2%	121	10	9.0%	111	10	9.9%	101	16	18.8%	85	9	11.8%	76
Other/medical	42	135.5%	73	18	32.7%	55	14	34.1%	41	8	24.2%	33	2	6.5%	31
Hearing Impairment (HI)	4	9.3%	47	-1	-2.1%	48	4	9.1%	44	2	4.8%	42	-1	-2.3%	43
Profound and Multiple Learning Difficulties (PMLD)	17	54.8%	48	12	33.3%	36	0	0.0%	36	-1	-2.7%	37	6	19.4%	31
Specific Learning Difficulties (SpLD)	3	9.1%	36	2	5.9%	34	-7	-17.1%	41	8	24.2%	33	0	0.0%	33
Visual Impairment (VI)	2	9.1%	24	-1	-4.0%	25	-2	-7.4%	27	2	8.0%	25	3	13.6%	22
Multi-Sensory Impairment (MSI)	0	0.0%	3	-2	-40.0%	5	2	66.7%	3	1	50.0%	2	-1	-33.3%	3
Unclassified	95	791.7%	107	-23	-17.7%	130	102	364.3%	28	15	115.4%	13	1	8.3%	12
Total	706	1232.2%	2,209	106	5.0%	2,103	285	15.7%	1,818	193	11.9%	1,625	122	8.1%	1,503