

SCRUTINY PANEL MEETING 17TH JULY

LBH SEN SERVICES

1.0 Budgetary Position

- 1.1 There are two linked budget areas subject to significant cost pressures in the Additional Needs service area resulting in an escalating overspend of those budgets:
- the cost of 'top up' element 3 funding that pays for individual pupils' Education, Health and Care Plans (EHCPs), and funded by the Dedicated Schools Grant (DSG), and
 - the cost of daily travel assistance for pupils with EHCPs which has grown in line with the increase in EHCPs, and funded from Council core responsibilities funding (not DSG).
- 1.2 The outturn position for 2016-17 and preceding years for the provision only is given in **table 1**. The table does not include SEND funding delegated to mainstream schools, place funding in special schools or units, or other service related costs in these cost centres because these spend to budget and sometimes under. The £6.9m overspend on the provision code in 2016-17 shown reduces to a £5.75m overspend when all activity on these cost centres is included.
- 1.3 Whilst all other SEND services generally spend to budget, it should be noted that SEND services are subject to the impact of significant DSG income reductions across all DSG funding blocks as a result of national policy and funding change. Given that HLT reserve is now fully committed after meeting SEND cost pressures to date, , the escalating SEND cost pressure will mean further reductions in the Council's education service unless this cost pressure is dealt with separately

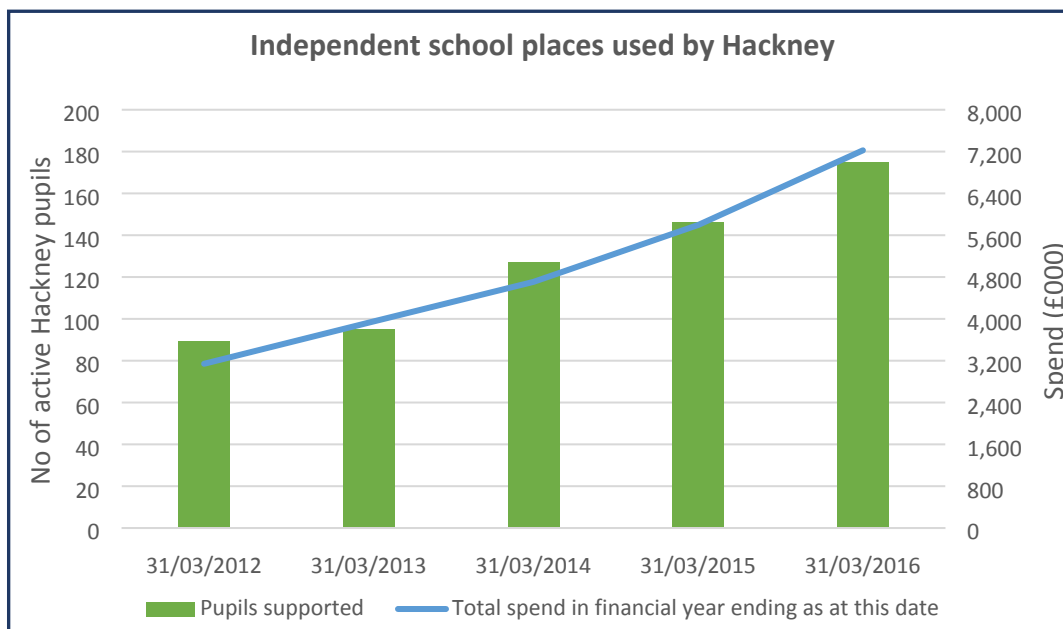
Table 1 - SEND Provision Funding & Transport Outturns 2014-15 to 2016-17

SEN Provision Budgets and Transport 2014-15 to 2016-17							
		2014-15		2015-16		2016-17	
Cost Centre	Budget £m	Year End Variance £	% Variance of Total	Year End Variance £	% Variance of Total	Year End Variance £	% Variance of Total
Academies	1.7	-76,126	-4.5%	-9,000	-0.5%	129,025	7.6%
College / post-16	2.5	-250,385	-9.4%	-285,506	-11.4%	-67,896	-2.7%
Special schools	4.5	75,831	1.6%	1,029,972	22.8%	1,426,159	31.6%
Independent / non-maintained	5.4	783,478	15.6%	1,814,701	33.5%	2,777,329	51.5%
Independent nurseries	0.1	-41,916	-22.1%	82,558	68.8%	140,354	117.0%
Mainstream schools	5.0	627,296	13.1%	200,924	4.1%	471,460	9.6%
Orthodox Jewish	0.9	294,634	32.7%	309,565	34.4%	-188,069	-20.9%
Out of borough	2.1	205,104	10.0%	645,457	31.5%	867,107	42.3%
DSG Total	£22.2m	£1.6m	6.4%	£3.8m	15.1%	£5.5m	21.9%
SEND Travel Assistance	2.9	679,153	23.2%	829,094	27.8%	1,372,950	48.3%
Non DSG Total	£2.9m	£0.7m	2.8%	£0.8m	3.2%	£1.4m	5.6%
TOTAL £m	£25.1m	£2.3m	9.2%	£4.6m	18.3%	£6.9m	27.5%

2.0 Reasons for the Cost Pressure and Overspend

- 2.1 There are a number of factors contributing to the escalation of SEND costs in Hackney. These include a significant and continued increase in the 0-25 population, an increase in the level of need and complexity of need in the population, legislative and policy changes expanding the eligible age ranges and raising parental expectations, the rising costs of provision, and a reliance on expensive independent out borough provision. At the same time, real terms High Needs funding allocations have remained fixed at 2012 levels whilst the pupil population and demand for support has risen. This issue is not unique to Hackney with many boroughs reporting significant cost pressures.
- 2.2 The budget with the largest cost pressure is that for provision at independent and non-maintained schools. 2015-16 saw an increase of 24% in pupil numbers and a similar increase in costs. This trend has continued in 2016-17, resulting in an overspend of £2.8m against this budget line. Reliance on independent high cost placements is unsustainable and to limit further significant cost increases in future years, Additional Needs are considering moving pupils from high cost independent placements to Hackney based provision. However, sufficient local provision is currently not available and options to obtain this provision will take time. Parental choice and the use of the SEND Tribunal can often override efforts to use local or less expensive provision. Provision at a distance also has corresponding transport costs.

Figure 1 below shows the trend in independent school placements from 2011-12 to 2015-16:



- 2.3 There are also significant cost pressures against the budgets for special and out of borough maintained mainstream and special schools. The Transport Assistance service is spending significantly over budget due to the numbers of pupils supported and the high cost of personal transport for many of the pupils.
- 2.4 There is little prospect of an uplift in High Needs funding for Hackney given a historically (relatively) high allocation, which has also meant Hackney providing additional support for a relatively high proportion of the pupil population in Hackney in the past.

3.0` Outlook for SEND in Future Years

- 3.1 High levels of pupil population growth are forecast to continue in Hackney. The 2017 projections have yet to be confirmed but are not expected to show any dramatic reduction or slowdown in growth in the near future. However, the most recent intelligence suggests the possibility of a slowing primary population and this will be monitored carefully and forecasts adjusted accordingly. In the meantime, the upward pressure on referral and statutory assessment will continue.
- 3.2 The proportion of the Hackney resident pupil population with an EHCP is higher than nearly all other local authorities. Inner London has the highest rates compared to national, outer London and London as a whole, and Hackney has one of the highest rates in inner London. This in part is likely to be a legacy of relatively higher levels of High Needs funding for Hackney in the past. One consequence of this is that this higher ratio of EHCPs to population cannot be sustained now that it exceeds the High Needs funding allocation. The other is that [understandably] there is a culture of expectation in schools, settings and parents that sustains a higher level of referral for additional support than appears to be the case elsewhere.
- 3.3 The need to change culture as well as funding practice is a significant aspect of the new 'targeted and exceptional' funding policy. The objective of moving to the inner London average in terms of the EHCP to population ratio, linked to the new 'targeted and exceptional' funding policy, is felt to be the best way to achieve a sustainable budget position. This is also felt to be the best long term policy for ensuring the fair and equitable distribution of available resources for pupils already in the system compared to new referrals.
- 3.4 The implications of extended EHCP entitlements for 0-5 and 19-25 year olds are difficult to quantify, though there is evidence of increasing parental and student expectations translating into increased demand. Expectations are particularly high in the 0-5 age range and this may have significant consequences for future years EHCP numbers and costs
- 3.5 The rate of increase in the number and cost of EHCPs is unlikely to change without significant policy and provision changes locally. A number of changes are in hand, for example the change to 'targeted and exceptional funding' in place of 'assessment and resource levels', plans to increase in-borough provision as an alternative to the more expensive independent out-borough provision, and independent travel training for students. However, the lead in time and impact of these changes may take a number of years to show significant impact.
- 3.6 Assuming a recurrent cost pressure similar to 2016-17, plus an increase in the number of EHCPs in future years, the forecast cost pressure for the Additional Needs service area may continue for some time. However, the assumption that pupil numbers qualifying for additional support will continue to increase in line with the recent trend is not a given. A number of proposals have therefore been developed to counter this pressure and mitigate the impact of this on other Council services.

4.0 Use of HLT Reserves and Delegated Strategic Budget

- 4.1 HLT as a delegated department in the Council holds a locally managed strategic budget and reserve to manage school risks, specifically the risk of a school, or group of schools failing and the financial consequences of that. It also provides for managing the risk of significant staffing reductions in the event of a failed traded service or the loss of responsibilities or function as a result of government policy or funding change.
- 4.2 In addition to managing risks and intervening to prevent school failure, this fund also provides the investment for borough wide programmes and initiatives for vulnerable and underachieving groups. Over and above that, the strategic budget and reserve also covers costs that are met corporately for other services e.g. investing in the education IT network, office restacking at 1 Reading Lane, etc.
- 4.3 Discounting the impact of the SEND cost pressure on HLT budgets, HLT would generally make a net contribution to the strategic budget and reserve each year.

- 4.4 However, over the 3 years 2014-15 to 2016-17, the overspend arising from the SEND cost pressure on provision at £10.9m and transport at £2.9m has been met from savings and underspends in other education budgets of £5.3m and a drawdown from the strategic budget and reserve of £8.5m
- 4.5 It is no longer possible to draw down further on the HLT strategic budget or reserve without removing the risk management budgets and making significant service reductions beyond the £5.8m already necessitated by the overall DSG income reductions to 2019-20.
- 4.6 The earlier analysis of the impact of the SEND cost pressure should also be considered in the context of the continuing education funding reductions to DSG affecting education specifically. The introduction of the new national funding arrangements for local authorities, schools, early years and high needs indicates further significant reductions in funding for Hackney education.
- 4.7 The use of reserves in future will need to match proposals for resolving the cost pressure until it can come into balance which may include service reductions elsewhere to increase the allocations to SEND provision budgets. The use of reserves should be linked to the transition to new policies and practices that are sustainable and fair to all pupils in the long run, but currently are beyond the scope of the HLT strategic budget and reserve.

5.0 Proposals for resolution with costings

- 5.1 A summary of the current proposals for resolving the SEND cost pressure issue is given in Figure 2 below.

Figure 2 – SEND Proposals 2017-18 and Beyond

Policy and Practice Changes	Potential savings or range
Introduce a Targeted and Exceptional Funding policy for referrals from January 2018. Working to Inner London benchmark for % of plans.	£200k to £360k pa but incremental over time and incorporated into a potential £4.6m on basis of achieving spend at 84% of 2016-17 provision spend.
Reduce the value of current resource levels by 5% per annum with effect from April 2018; pending transition to the new Targeted and Exceptional Funding approach for each pupil.	£0.3m to £0.4m but later subsumed into targeted and exceptional funding model described above.
Introduce a single, or a cohort specific funding level for each maintained in borough special school. The implementation to be phased in over two years from April 2018.	£0.35m to £0.4m in 2018/19
Negotiate 2% – 5% contract price reductions in the cost of independent special school fees across the board.	£164k at 2% - £410k at 5% in Year 1 or 7/12ths if from September 2018
Develop a revised Hackney 'SEND Strategy and Provision Plan' to: <ul style="list-style-type: none"> • reduce the current reliance upon, independent school placements especially for ASD, SEMH and SLD needs • reduce the current reliance on out of borough maintained special schools especially for ASD, SEMH and SLD needs. 	Incorporated in above estimates.
Review and revise the current SEN transport arrangements to identify further efficiencies, including travel training, schedules and routes etc. Taxi services for KS3 SEMH pupils travelling locally	Potentially £50k to £100k £25k to £50k