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# High Needs Budget – Savings Options for 2016/17

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**Report being considered by:** Schools Forum  
**On:** 25/01/2016  
**Report Author:** Cathy Burnham, Jane Seymour  
**Item for:** Discussion      **By:** All Forum Members

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## 1. Purpose of the Report

- 1.1 This report sets out the financial position of the High Needs budget and sets out various savings options for 2016/17 to enable a discussion on each proposal to take place.

## 2. Recommendation(s)

- 2.1 Members of the Schools' Forum are to consider the options presented and provide their views on each, and suggest any other options that should be considered. Officers will bring a final proposal back to the March meeting for final decision.

<b>Will the recommendation require the matter to be referred to the Council or the Executive for final determination?</b>	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
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## 3. Introduction

- 3.1 At the December meetings of the Heads Funding Group (HFG) and Schools' Forum (SF), a report setting out an early indication of the position of the high needs budget for 2016/17 was presented. A shortfall of over £2m was identified, and the report set out in detail all the services making up the high needs budget, also outlining where savings could be considered. The report is attached in Appendix A for reference.
- 3.2 Further work has been carried out in estimating the current year forecasts and budgets for next year, using the latest pupil data. This has changed the position slightly, but there is still a significant shortfall in the high needs block.
- 3.3 This report sets out options which could be implemented in order to balance the budget.

## 4. Summary Position

- 4.1 Table 1 sets out the current position of the High Needs Block.

<b>TABLE 1</b>	<b>2015/16 Budget £</b>	<b>2015/16 Forecast £</b>	<b>2016/17 Estimate £</b>
Place Funding	6,285,400	6,285,400	6,980,000
Top Up Funding	8,507,580	8,775,330	9,223,010
PRU Funding	2,201,000	2,401,000	2,401,000
Other Statutory Services	1,213,860	1,243,840	1,217,170

Non Statutory Services	858,570	859,070	1,031,810
Support Service Recharges	515,750	515,750	526,710
<b>Total Expenditure</b>	<b>19,582,160</b>	<b>20,080,390</b>	<b>21,379,700</b>
HNB DSG Allocation	19,100,550	19,100,550	20,079,150
HNB DSG C/F	344,950	344,950	-624,890
EY DSG Allocation	10,000	10,000	10,000
<b>Total DSG Funding</b>	<b>19,455,500</b>	<b>19,455,500</b>	<b>19,464,260</b>
<b>Shortfall</b>	<b>-126,660</b>	<b>-624,890</b>	<b>-1,915,440</b>

4.2 The following changes have occurred since the December report:

- 2015/16 forecasts have been revised to reflect the most up to date information – the estimated carry forward overspend has reduced by £71k from £696k to £625k.
- 2016/17 forecasts have been revised with the latest information on top up placements – this has gone up by £254k.
- The Government has allocated an additional £284k to our High Needs Block funding.

4.3 The overall position is now a shortfall of £1,915k compared to £2,016k as reported in December, a move of £101k. The detailed budget breakdown is provided in Appendix B.

4.4 The predicted overspend on HNB in the 2015-16 financial year is currently estimated at £498k, made up as shown in Table 2. This is in addition to the original budgeted shortfall of £127k. The total overspend of £625k will need to be met from the 2016/17 HNB allocation.

<b>TABLE 2</b>			
<b>Budget</b>	<b>15-16 Budget</b>	<b>Predicted outturn</b>	<b>Variance</b>
Special schools top up	2,730,940	2,766,940	36,000
Non West Berkshire special schools top up funding	735,240	1,085,240	350,000
Non LEA special schools	905,320	855,320	-50,000
Independent special school place and top up	1,583,850	1,565,720	-18,130
Further Education Colleges Top ups	990,040	950,040	-40,000
Maintained schools Resourced Unit top ups	329,230	339,230	10,000
Academy Resourced Unit top	419,730	378,730	-41,000

ups			
Non WBC Resourced Units top up funding	27,860	44,240	16,380
Maintained mainstream top ups	459,980	469,980	10,000
Academy mainstream top ups	213,240	183,240	-30,000
Non WBC mainstream top up funding	62,150	66,650	4,500
Disproportionate number of high needs pupils	50,000	70,000	20,000
PRUs top up	1,061,000	1,261,000	200,000
SEN Pre School Children	50,210	60,210	10,000
Applied Behaviour Analysis	110,730	90,730	-20,000
CALT Team	261,950	258,950	-3,000
Sensory Impairment	227,440	244,060	16,620
Therapy Services	315,430	324,430	9,000
Equipment	20,000	25,000	5,000
ASD Teachers	135,490	133,490	-2,000
SEN Inclusion	29,320	24,820	-4,500
Hospital tuition	0	19,360	19,360
<b>Total</b>			<b>498,230</b>

- 4.5 It can be seen from the above that the main area of pressure in this budget is the increase in numbers of children with SEND attending specialist placements as opposed to mainstream schools. Specialist provision includes resourced units, maintained special schools, special free schools, independent and non maintained special schools and PRUs.
- 4.6 The types of placement which have seen particular growth include children with moderate learning difficulties moving to maintained special schools and children with autistic spectrum disorder and behavioural difficulties moving to special free schools and PRUs.
- 4.7 The total number of pupils with Statements or EHC Plans has remained fairly static over the last four years, averaging around 760. However, as Table 3 shows, the

proportion of children with Statements or EHC Plans who are included in mainstream schools is dropping quite rapidly.

<b>TABLE 3</b>					
<b>Year</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015 (Jan)</b>	<b>2015 (Dec)</b>
<b>Total Statements/EHCP</b>	759	773	758	747	768
<b>% in mainstream</b>	55%	53%	47%	45%	42%
<b>% in specialist</b>	<b>45%</b>	<b>47%</b>	<b>53%</b>	<b>55%</b>	<b>58%</b>

- 4.8 Whilst the main purpose of this report is to set out savings options for 2016-17, the HFG and the Schools Forum need to consider the long term funding implications for the HNB if this trend away from mainstream inclusion continues.

## 5. Options for Consideration

- 5.1 Table 4 presents a list of the savings options that could be considered. Each one is then explained in detail, also highlighting the implications. For some savings, the implementation date would be from September 2016, so a part year saving in 2016/17 is shown and a full year saving will occur from 2017/18.

<b>TABLE 4</b>	<b>2016/17 Saving £</b>	<b>Full Year Saving £</b>
1 Contribution from Schools Block – 16/17 headroom	600,000	600,000
2 Contribution from Schools Block – reduce current funding rates to schools		
Option (a) reduce per pupil funding rate (AWPU) by £10	166,650	166,650
Option (b) reduce lump sum by £5,000	241,250	241,250
3 Resourced unit place funding – reduction in places	29,167	50,000
4 Mainstream Top Ups – Option (a) reduce by 5%	31,224	31,224
Option (b) reduce by 10%	62,448	62,448
5 Resource Unit Top Ups – Option (a) reduce by 5%	33,219	33,219
Option (b) reduce by 10%	66,437	66,437
6 Special School Top Ups – Option (a) reduce by 5%	134,753	134,753
Option (b) reduce by 10%	269,506	269,506
7 FE College Top Up	99,000	99,000
8 PRU Top Ups – reduce daily rate		
Alternative Curriculum from 1/9/16 – reduce by £20.25 per day	107,730	184,680
Reintegration Service from 1/4/16 – reduce by £10.25 per day	70,490	70,490
9 PRU top ups – increase contribution from schools		
Alternative Curriculum from 1/9/16 – increase by £750 per Pupil per year	24,000	36,000
Reintegration Service from 1/4/16 – increase by £10 per day	23,005	23,005
10 PRU top ups Reintegration service – increase by 6 the no. of weeks paid for by schools	70,958	70,958
11 Sensory Impairment	23,880	23,880
12 Engaging Potential	90,043	154,360
13 Equipment	10,000	10,000

14 Therapy Services	32,443	32,443
15 LALs –	78,517	134,600
Option (a) close both LALs	39,258	67,300
Option (b) retain one LAL	44,684	76,600
Option (c) close both LALs and employ one peripatetic Dyslexia teacher		
16 Special school outreach - remove	70,000	70,000
17 PRU outreach – Option (a) reduce budget	17,000	17,000
Option (b) remove budget	117,000	117,000
18 CALT team – charge more services to schools	50,000	50,000
19 Vulnerable Childrens Fund - remove	60,000	60,000
<b>Total (if minimum saving taken where option given)</b>	<b>1,798,820</b>	<b>1,984,962</b>
<b>Total (if maximum saving taken where option given)</b>	<b>2,195,874</b>	<b>2,426,057</b>

## 5.2 Option 1 – Contribution from Schools Block – 16/17 headroom

The funding for the Schools Block has now been confirmed, and there is headroom of £600k available. Rather than allocate this out to schools as additional funding, it could be transferred to the high needs block. There has been no expectation that schools would see an increase in their funding allocation, as the DSG funding rate has not increased. However it should be noted that £390k of this headroom has arisen due to a reduction in the number of pupils meeting the prior attainment and deprivation criteria for funding, and it should be considered whether to put this funding back into schools by increasing the funding rates for these particular factors.

Implications / Risks:

- (1) Although an increase in funding rates has not been expected, schools are struggling to set balanced budgets. As well as inflationary increases and employee pay awards, Increases in costs in 2016/17 are particularly exacerbated by the increase in NI rates in April 2016 (by 3.4%).
- (2) Without the headroom allocated to schools, many will be have a reduction in their funding allocation, either because of lower pupil numbers and/or because of the change in their deprivation/prior attainment profile.
- (3) Other options in this paper include schools needing to pay for more services which can no longer be provided centrally. Without any increase in their budget allocations, this will put a further pressure on schools.
- (4) May see more schools setting deficit budgets and needing to carry out restructures, which will include the reduction of staffing in schools and redundancies.

## 5.3 Option 2 – Contribution from Schools Block – by reducing current funding rates to schools

By reducing current funding rates, this would mean that all schools would see a reduction in their funding per pupil.

Option (a) - reducing the per pupil funding (AWPU) by £10 per pupil. This would generate an additional £167k to transfer to the HNB (more schools would qualify for

minimum funding guarantee). Funding removed would be proportional to size of school.

Option (b) – reducing the lump sum by £5,000 per school. This would generate an additional £240k to transfer to the HNB. Funding removed would be equal for all schools, irrelevant of size.

The implications would be the same as option 1. Item 6 on the agenda shows what this means in financial terms for each individual school.

#### 5.4 **Option 3 - Resourced unit place funding**

The number of pupils on roll at the Westwood Farm Schools' Hearing Impaired Resourced units has been consistently below capacity by 5 or more places for some time. This is in line with a national trend of falling numbers in hearing impaired resourced units, as more children with hearing impairment are attending their local mainstream schools. Funding for 5 planned places could be removed with effect from September 2016 (Full year savings would not be achieved until 17-18).

Implications / Risks:

(1) Redundancy costs

(2) Number of hearing impaired pupils needing a resourced unit placement may go back up, but this appears very unlikely given trends over time and the national picture.

#### 5.5 **Option 4 - Mainstream top ups**

When a pupil has a Statement of Special Educational Needs or an Education, Health and Care Plan, the cost of their additional support is topped up, over and above the first £6,000 which the school is required to fund. Top up bands are notionally based on a number of hours of teaching assistance, but schools are encouraged to use funding flexibly for small group support as well as one to one support. It would be possible to reduce funding bands by an agreed percentage, for example 5% or 10%.

Implications / Risks:

(1) Schools may have to reduce staffing levels

(2) Pupils' needs may not be fully met

(3) Possible parental complaints and legal challenge as Statements / EHC Plans quantify provision by TA hours or cost.

#### 5.6 **Option 5 – Resource unit top ups**

Schools with resourced units receive planned place funding of £10,000 for each place. They then receive top up funding based on the pupil's funding band. The funding bands are based on notional staffing ratios for different levels of need.

It would be possible to reduce funding bands by an agreed percentage, for example 5% or 10%.

Implications / Risks:

- (1) Schools may have to reduce staffing levels
- (2) Pupils' needs may not be fully met
- (2) May impact on range of needs which can be met in resourced provision

#### 5.7 **Option 6 – Special school top ups**

Special schools receive planned place funding of £10,000 for each place. They then receive top up funding based on the pupil's funding band. The funding bands are based on notional staffing ratios for different types and levels of need. It would be possible to reduce funding bands by an agreed percentage, for example 5% or 10%.

Implications / Risks:

- (1) Schools will have to choose between reducing classroom staffing levels or reducing expenditure in other areas
- (2) May impact on range of needs which can be met in special schools

#### 5.8 **Option 7 – FE College top ups**

FE Colleges receive planned place funding of £10,000 for each place. They then receive top up funding based on the cost of the course which the student is undertaking.

There is some evidence that top up fees charged by FE Colleges in the Berkshire area are above the national average. It is proposed that negotiations take place with FE Colleges to reduce top up fees in the 2016-17 academic year. It is difficult to quantify to what extent costs can be driven down, so a notional reduction of the budget by 10% is proposed.

Implications / Risks:

- (1) Possible difficulty in placing high needs students in FE Colleges.

### 5.9 Option 8 – PRU Top ups – Reduction in daily rate

It is proposed that the daily rates paid to the PRUs are reduced – Alternative curriculum by £20.25 per day (from 1/9/16), and Reintegration Service by £10.25 per day (from 1/4/16). If the contributions made by schools remain as per the current arrangements the savings would be as shown in Table 5. This assumes all places are filled – the saving would be greater if not all places are filled throughout the year.

<b>TABLE 5</b>	<b>Current</b>	<b>Proposal</b>	<b>Saving</b>
Alternative Curriculum – from 1/9/15	£103.25	£83.00	£107,730
Reintegration – Primary week 1 – 12	£65.90	£55.65	£7,790
Primary wk 12 onwards	£103.25	£93.00	£15,960
Reintegration – Secondary week 1 – 6	£28.56	£18.31	£15,580
Secondary wk 6 onwards	£103.25	£93.00	£31,160
<b>Total Saving</b>			<b>£178,220</b>

Implications / Risks:

- (1) PRUs may struggle to provide same level of staffing and interventions with a reduced budget.

### 5.10 Option 9 – PRU Top ups – Increase contribution paid by schools

Alternatively, or in addition to the above proposal, the amount contributed by schools towards placements could be increased by £10 per day in the Reintegration Service, and by £750 per year in Alternative Curriculum (from 1/9/16). This would reduce the amount required to be met by the DSG. The savings would be as shown in Table 6, assuming all places are filled.

<b>TABLE 6</b>	<b>Current</b>	<b>Proposal</b>	<b>Saving</b>
Alternative Curriculum – annual contribution (change from 1/9/16)	£4,500	£5,250	£24,000
Reintegration – Primary	£37.35	£47.00	£7,334
Reintegration – Secondary	£74.69	£85.00	£15,671
<b>Total Saving</b>			<b>£47,005</b>

Implications / Risks:

- (1) Schools may choose to permanently exclude more pupils rather than pay increased costs. LA picks up total cost of permanent exclusion place and therefore the pressure on the HNB would increase.

### 5.11 Option 10 – PRU Top ups – Increase Number of Weeks Paid for by Schools

The current arrangement is that there is a cap placed on the number of weeks a school pays for a placement in the Reintegration Service, with the DSG picking up the full cost for the remaining weeks of the placement. The current trend is that most placements are exceeding this cap. Increasing the number of weeks that schools pay a contribution towards would provide a saving, though this is difficult to quantify as the length of placements at any one time changes from one week to the next. The savings shown in Table 7 assume that two thirds of current placements



are above the cap, and this would reduce to one half by increasing the number of weeks by 6.

<b>TABLE 7</b>	<b>Current</b>	<b>Proposal</b>	<b>Saving</b>
Reintegration – Primary	12 weeks	18 weeks	£14,193
Reintegration – Secondary	6 weeks	12 weeks	£56,765
<b>Total Saving</b>			<b>£70,958</b>

Implications / Risks:

- (1) An increase in the cost to schools.

### 5.12 Option 11 – Sensory Impairment

The Council is part of a joint arrangement with the five other Berkshire Local Authorities for the purchase sensory services. This includes teachers of the deaf and teachers of the visually impaired who support children in mainstream and special schools. The current contract runs until March 2017. The contract can be varied with 6 months’ notice, ie. by June 2016. Until then we would be reliant on the service provider agreeing to make savings on a voluntary basis.

Options would include

- Reducing the number of visits for non statemented children with hearing impairment and providing training for schools to meet more needs themselves
- Reorganising staffing so that a higher proportion of support for children with visual impairment is delivered by trained TAs rather than teachers.
- Ceasing central funding for HI and VI support for the special schools and expecting schools to purchase it direct from the provider

Implications / Risks:

- (1) Schools may have difficulty meeting pupils’ needs
- (2) Parents / schools may seek EHC assessments in order to access the service
- (3) Schools would need to become more skilled in meeting the needs of children with HI/VI

### 5.13 Option 12 – Engaging Potential

Engaging Potential has 14 places for students who have a Statement or EHC Plan and who have significant behavioural difficulties. This provision was set up as an alternative to more costly out of area placements. Pupils may have previously attended mainstream schools, Pupil Referral Units or specialist schools.

The current contract runs until 2018, but can be varied with 6 months’ notice.

An option would be to reduce the number of places from 14 to 10 from September 2016 and reserve places for students with the highest level of need. Full year savings would not be achieved until 17-18.

Implications / Risks:

- (1) Fewer places would be available for students from mainstream schools and PRUs

(2) Possible increase in expensive out of area placements

#### 5.14 **Option 13 – Equipment**

Reduce budget from £20,000 to £10,000. Mainstream schools would need to fund more SEN equipment for pupils with Statements / EHC plans.

Implications / Risks:

(1) Increased funding pressures on schools

(1) Risk of budget overspend eg. if a small school genuinely can't fund an expensive item and there is a statutory duty to provide it

#### 5.15 **Option 14 – Therapy Services**

The service includes speech and language therapy and occupational therapy for children with Statements / EHC Plans. Reduce budget by 10% and explore possibilities to reduce overhead costs, change the ratio of therapists to therapy assistants and reduce the frequency of therapists' visits to schools.

Implications / Risks

(1) Pupils' therapy needs not met.

(2) Possible legal challenge as therapy is quantified in Statements / EHC Plans.

#### 5.16 **Option 15 – Language and Literacy Centres**

Options could include

- closing both LALs in July 2016
- closing one LAL in July 2016 and retaining one LAL to serve the whole area
- closing both LALs and employing a peripatetic dyslexia teacher.

Implications / Risks:

(1) If all provision is lost, high risk of increased EHC requests from parents and schools, with associated costs, so net expenditure may increase.

(2) Risk of appeals to the SEND Tribunal for specialist school placements, with associated costs.

(3) Increased transport costs if only one LAL is maintained

#### 5.17 **Option 16 – Special school outreach**

This service supports children with learning difficulties and associated needs in mainstream schools. Options could include

- ceasing the service
- retaining the service and charging schools for it.

Implications / Risks:

- (1) Possibility of schools / parents seeking more special school placements, with associated costs.

#### 5.18 **Option 17 – PRU outreach**

Appendix D provides a report on this service. In 2014/15 this budget was £197,000 which included 6 weeks of free reintegration support for schools, free KS2/3 and 2/4 transition, free early intervention secondary groups, free LAC support in schools for those at risk of exclusion. In 2015/16 the budget was reduced to £117,000 with the free reintegration support for schools reduced from 6 weeks to 3 weeks.

Schools are able to request additional support and early intervention support for any pupil, including looked after children. ELSA and counselling requests have particularly increased this year. These areas have shown an increase in income for the Outreach team from £2,800 in the 14/15 financial year to a predicted £12,000 for the 15/16 financial year. Remaining costs are being absorbed into the Reintegration Service budget.

Option a – reduce this budget to £100,000 and encourage Outreach Team to generate more income – but this will result in increased costs for schools.

Option b – remove separate budget and allow RS to incorporate Outreach facility into main budget. If RS not full, then more Outreach could be offered. Outreach is likely to be severely reduced.

Option c – no change in budget as it will have an adverse effect on support for schools. It is a cheaper 'buy-in' than an inreach RS place and therefore gives schools more choice and a reduction in costs.

#### 5.19 **Option 18 – CALT Team**

The CALT Team has been working to an income target since April 2015. It could be possible to increase income generation by reducing what schools receive in the free core service and increasing charges for annual packages of support and for pay as you go services and training.

Implications / Risks:

- (1) Some schools may no longer be able to buy in the service.
- (2) Reduced support for children and impact on levels of SEN expertise and training of staff in schools
- (3) Possible increase in EHC requests, with associated costs.

#### 5.20 **Option 19 – Vulnerable Children Fund**

A small budget of £60,000 (reduced from £80,000 last year). There are no staffing costs attached so it is an easy budget to remove but with a large impact on our

smaller schools. The Fund is used mostly by small schools to reduce the risks of exclusion for challenging pupils.

Implications / Risks:

- (1) This will disproportionately affect our small schools with fewer resources.
- (2) No VCF will mean an increase in expensive PRU places, or more exclusions.
- (3) Permanent exclusions will put pressure on HNB and affect other schools who must then admit a pupil with no extra resource.
- (4) A £60,000 saving is small compared to the larger additional costs to HNB when pupils are excluded.

## 6. Conclusion

- 6.1 All the options have implications for schools, whether this is removal/reduction of a service currently received by schools for free, or requiring schools to pay for the cost of services, whether this is through the blanket removal of funding from school budgets or requiring schools to purchase services at point of delivery.
- 6.2 In order to reduce spend to the level of resource being received, reductions of this magnitude will be required.

## 7. Appendices

Appendix A – Report to Schools’ Forum on 7<sup>th</sup> December 2015

Appendix B – High Needs Block Budget 2016/17

Appendix C – Impact Data

Appendix D – Report on PRU Outreach Service

## 8. Heads Funding Group Recommendation

- 8.1 HFG agreed in principle with most of the savings being proposed and will consider again alongside any new options at its next meeting, before deciding on a final proposal to bring back to Schools’ Forum.