

West Northants Schools Forum: 19 October 2021

Agenda Item 8

LA Commissioned Outreach Services: Proposed funding from 1 April 2022

1 Background

- 1.1 This report sets out the provision made by West Northants specialist services and the visual and hearing impairment service (hosted in by North Northants council). Both services focus on assisting schools to meet the needs of pupils with additional needs who attend state-funded schools in West Northants (henceforth 'the council').
- 1.2 The council currently funds these services, mainly from the high needs block of the dedicated schools grant, but also using the council's general fund. While the council has the legal power to fund these services, the budget and the duty to fund them sits with schools. The legal context is set out in detail in section 7 below.

2 Specialist and Impairment Services' Funding and Proposed Changes for 2022-23

- 2.1 The cost of the specialist services is considerable, and is set out in the table below. The total cost of all the services provided by the high needs block (HNB) and the council general fund falls to the council. This is not sustainable as the HNB is currently forecast to overspend this year (2021-22) by £2.4m, and the council is also forecasting an overspend of £1.6m in year and a budgetary gap of £14.9m in its general fund next year.

Service Expenditure	£m
Specialist support service	1.0
Sensory impairment service	1.1
Total	2.1

Funding	£m
HNB	1.7
General Fund	0.4
Total	2.1

- 2.2 The HNB budget is of particular concern, as the new unitary council found the resources to reduce the 2020-21 overspend to zero. The overspend is therefore structural in nature. This means if nothing changes i.e. spending is not reduced – the

overspend will continue to grow year on year, with deficits forecasted to increase in size each year.

2.3 Councils that have not taken immediate action, or could not, have recently shown cumulative deficits of significant percentages of their HNB budgets. For example, in March 2021, the London borough of Hammersmith and Fulham had a deficit of £23m, 93 per cent of its HNB budget. The London Borough of Kingston's comparative figures were £22m, which was 100 per cent of its budget.

2.4 The council cannot let cumulative, structural deficits continue. Therefore, a range of actions are being proposed or taken. The focus of this report is the council's intention to cease funding specialist services through the high needs block. This is not the preferred action of the council but a necessary one. Council officers and members recognise the services' efficiency and effectiveness. The table below shows the number of primary and secondary schools (in Northamptonshire) that received a service from the services in the 2020-21 school year.

Service	Primary	Secondary	Total	Cost
Specialist support service	116	17	133	141
Sensory impairment service	89	17	106	114

2.5 The services provide early intervention to schools, settings and families for children and young people aged 0-19 years. This would include children with or without an EHC plan. Interventions delivered during 2020-21 include:

- advice and guidance through consultations and direct work with pupils and staff where needed;
- assessment of learning and the environment and development of appropriate interventions and strategies in schools;
- support and advice at times of transition to new schools, including sensory impairment awareness training to schools;
- a range of courses delivered to parents and schools (in the period between October 20 and July 21 732 parents enrolled on specialist courses and workshops);
- advice and support to the whole family of a child or young person with SEND or sensory impairment, alongside support provided to schools, ensuring a holistic approach for the pupil; and
- direct teaching of the use of assistive technology and the loan of equipment.

2.6 Schools have reported the value of specialist practitioners (including teachers with specialist qualifications) to support and empower their staff in ensuring positive outcomes for pupils. This is particularly key for pupils with significant and complex additional needs. Schools have reported a positive impact on their inclusive practice.

2.7 Since the council cannot fund the services from the HNB in future (that is, from April 2022 onwards), there are broadly two options – 'insurance-based' or 'traded services'

arrangements. There are two means of achieving the former. One is that schools subscribe individually – usually on a per-pupil basis. It is the service supplier that triages to determine the greatest need and delivers outreach support accordingly (as is the case now).

2.8 The second method of funding an ‘insurance’ based service is ‘top-slicing’ the delegated schools budget. This means a small reduction – about 2.1 per cent – to the budget of all mainstream academy and maintained schools, to be allocated to the high needs block. Therefore, there are three options:

- ‘insurance-based’, with individual schools buying in to the service at an agreed, per pupil rate;
- for schools forum to agree a ‘top -slice’ £2,100,000 from mainstream maintained and academy school budgets; and
- for both services to become ‘traded’ with each school paying for the service it receives at the point of delivery.

2.9 Before appraising the options, the costs of the service to schools, individually and / or collectively in each of the three scenarios should be made clear to schools forum members. It is calculated for options one and two on a ‘per-pupil’ basis, based on the table below.

	1	2	3	4	5	6	7	8	9
Year Group	Pupil Nos	% pupils	Funding Share £	%	£1.5m	£PP	£2.1m	£ PP	diff
Primary (y r-6)	35,945	60.7%	163,081,752	54.8%	821,930	22.87	1,150,703	32.01	9.14
Key Stage 3	14,389	24.3%	134,537,880	45.2%	678,070	29.14	949,297	40.80	11.66
Key Stage 4	8,879	15.0%							
	59,213	100.0%	297,619,632		1,500,000		2,100,000		

2.10 The table shows the average age-weighted cost per pupil, which is shown in column 8, so £32 for primary and £41 for secondary. This cost unit would be used for option one and option two. The current cost to primary and secondary schools of the 0.5 per cent top-slice to assist in managing the HNB overspend that has been taken from the schools block in current and prior years is shown in column 5 of the table. It is c£1.5m in total, which is on average £23 and £29 per pupil for primary and secondary phases respectively.

2.11 Column 9 of the table shows the additional cost to primary and secondary schools of option two. The council will not propose to top-slice the 0.5 per cent it can take from delegated budgets with schools forum’s approval (or the secretary of state for education’s determination if there is no agreement) if schools forum agrees to progress with option two. If schools forum indicates it prefers the offer of the ‘insurance’ based option, then the council will proceed with a proposal for a 0.5 per cent top-slice. This is because income from an insurance-based system is highly uncertain.

2.12 The cost to a school of service provision on a traded service is likely to be in the region of £150 per pupil. However, up to half the time of the specialist support service workers' time is spent working with parents, and it might prove hard for the service to charge a school for this. The strengths and areas of challenge with regard to this option are set out under paragraph 3.6 below.

3 Option appraisal

3.1 In this section there is a broad, brief appraisal of each option, setting out the advantages and disadvantages.

3.2 The first option – an 'insurance-based' scheme that is voluntary for each mainstream school and academy (and indeed any special school that wanted to subscribe) has the following advantages:

- it is transparent, and fair, with each school or trust being able to appraise what is on offer from its own perspective, assessing openly other market options; and
- there is the potential to make arrangements for schools to sign up for a contractual period, say, three years, offering the services income stability.

3.3 However, the disadvantages are:

- setting up and running a subscription arrangement will require an increased level of administrative costs, raising the subscription level above the cost of the current service, or one funded through budget top-slices;
- there will inevitably be an inconsistent understanding of costs and benefits, and the market alternatives, which could lead to poorer-quality support services for pupils; and
- inevitably, a number of schools will always refuse to subscribe, which can be for several reasons – for example, a head teacher has never, or rarely, used the service, or s/he is content to pay as need arises – but the outcome is that the services will need to trade as well as serve subscribers, which will make the services more expensive (due to higher administration costs).

3.4 The second option – top-slicing the resource required from schools' budgets – has the following advantages:

- the services will remain free at the point of delivery, and therefore will not be discriminatory against schools that have high levels of need, but tight budgets that might mean difficult choices regarding the support their pupils need;
- peaks and troughs in need are smoothed out by what is in effect an 'insurance' based system that means each school's costs are fixed;
- the funding to support the purchase of specialist outreach services is delegated to schools (see section 7 below), and therefore this proposal is consistent with funding arrangements;
- specialist service managers can remain focused on meeting the greatest need, without regard to 'ability to pay' of any school.; and
- while the gross cost of the top-slice is £2.1m, should schools forum agree this option, the council **will not** ask it to approve a top-slice of c£1.5m, or 0.5 per

cent of the delegated budget, to contribute to the HNB overspend (as is allowed by regulations).

3.5 The disadvantages are:

- schools forum must agree to the top-slice annually – if it does not, alternative, individual school insurance or traded arrangements, with their inherent disadvantages, will have to be implemented;
- schools with low historic use, or that have chosen to purchase their own support, are in effect paying for a service they will not use (although this might encourage the consideration by these schools of use of the services in future); and
- Schools choosing alternative providers will be paying twice for the service – once through loss of budget and a second time through payment for the chosen service.

3.6 The third option – trading the services – has the advantage of being completely transparent, and respecting the benefits of a competitive market and diversity and choice for schools. However, there are some significant disadvantages:

- traded services for outreach are difficult to cost, inefficient to administer and difficult to market – the council would have to allocate resources to administration, which would increase the cost of the services;
- schools using the service would start to consider the cost as well as the appropriateness of the service, and consider alternative suppliers, which, for some schools, might be a key consideration – while this might be considered an advantage for some schools, it brings uncertainty to the services and could leave the council considering whether it can maintain the services and
- some schools – even small ones – have peaks and troughs of need, with peaks causing a problem if outreach services have to be paid by them at the point of delivery rather than through an 'insurance' based system.

3.7 While each option has strengths and weaknesses, on balance funding the service had more advantages than the other options, and no more disadvantages.

4 Recommendations for Schools Forum

4.1 Schools forum members are asked to agree the second option for inclusion in the Schools Funding Consultation, as set out in paragraph 3.4 above – to top-slice £2.1m, on the understanding that if it does so, the council will not ask for the 0.5 per cent top-slice allowed by funding regulations.

5 Next steps

5.1 If schools forum agrees the recommendation, arrangements for top-slicing budgets for the 2022-23 budget will be put into the proposed local formula for agreement by schools forum in December 2021 and the council's cabinet in February 2022.

5.2 If the top-slice is not agreed, council officers and the lead member will need to determine whether schools should be approached to determine interest in an insurance-based approach. It is probable that traded arrangements will also need to be put in place for schools not in the insurance-based system should be prepared for

offer for 2022/23, and whether council support from the GF should apply to one service.

6 Financial implications

6.1 Should schools forum agree the top-slice, the services will remain available to schools and on the same basis as at present. The HNB will be assisted in coming back to balance (although other proposals on this agenda will need to be agreed by schools forum members for a balanced HNB plan to be achieved for 2022-23).

6.2 The figures quoted in this paper are pupil averages, the actual effect on individual schools may be more or less depending on which factor in the funding formula is used to bring the formula into balance with the funding available. These “balancing mechanisms” are discussed in more depth in the Appendix A to the consultation.

6.2 With the proposal to schools forum made in this report, the council’s budget will still contribute to specialist services. This is being offered this year so the cost to delegated budgets rises less sharply than would otherwise be the case.

6.3 Note that while schools will, if the proposal is agreed, pay more from delegated budgets for insurance-based services, overall balances held by schools and academies indicate this contribution can be comfortably managed by most (balances).

7 Legal implications

7.1 Under funding arrangements introduced in 2012 and implemented in April 2013, (see [here](#)), local authorities can still fund specialist SEN support services, such as services to support children with a visual or hearing impairment. This therefore remains a power. However, local authorities can hold back funding from schools for ‘expenditure on support services for pupils who have a statement (now an education and healthcare plan or EHCP) of special educational needs and for pupils with special educational needs who do not have such a statement’.

7.2 From 1 April 2013, local authorities have been required to give mainstream schools a notional SEN budget from the schools block. This might be made up of funding from the basic per-pupil entitlement, deprivation and low cost, high incidence SEN factors. It is from this notional budget that mainstream schools will be expected to: a) meet the needs of pupils with low cost, high incidence SEN; and b) contribute, up to a certain level set by the local authority, towards the costs of provision for pupils with high needs (including those with high cost, low incidence SEN) (paragraph 35, the notional SEN budget).

7.3 It should be noted that mainstream maintained schools and academies have recourse to top-up funding should the support required for an individual pupil or group of pupils exceed the £6,000 notional funding as set out in paragraphs 108 and 109 of the school funding reform arrangements (see the hyperlink in paragraph 7.1).

8.1 Risks

8.1 The main risks arising should schools forum not agree the top slice are:

- the specialist services becoming unviable if insufficient schools and academies either subscribe or buy the service on an ad-hoc basis for the recoupment of the services’ costs; and / or

- pupils receiving a diminished or poorer services through new arrangements.

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