

## Appendix 1 Draft Deficit DSG Recovery Plan

### Introduction

Since the introduction of the *Children and Families Act 2014* and the subsequent revision of the statutory *Special Educational Needs Code of Practice* (January 2015) extending responsibility to meet the needs from age 0-25, nationally, Local Authorities (LAs) have struggled to meet the growth in numbers within the existing financial funding model. In Croydon there has additionally been population growth in the Borough (**numbers 2015 - 2019 to be included**) and the correlation of rise in children and young people with Special Educational Needs and Disabilities (SEND). There was no additional funding from central government to support this.

Lobbying action is underway on central government to revise the funding position and a call for evidence has resulted with submissions expected by 30<sup>th</sup> July.

Croydon has reported an overall Dedicated School Grant (DSG) deficit for the period 2018/19 of £9.193m which equates to 3% of the gross DSG allocation (5% of the net). Over the last four years, Croydon has built up a significant deficit against its High Needs Block allocation from central government. The Department for Education has issued a requirement on Local Authorities that have more than a 1% deficit on overall DSG to indicate how this will be addressed over the next three years.

It is recognised that overspends on High Needs are a major factor contributing to DSG deficits and this is the case for Croydon where the High Needs overspend in year for 2018/19 is £5.611m.

The main sources of High Needs budget pressures in Croydon over the last few years have related to:

- (i) increasing population
- (ii) increasing numbers of pupils placed in independent/non-maintained special schools and colleges (and increasing costs of this type of provision)
- (iii) increasing spend on pupils placed in other Authority schools
- (iv) increasing numbers of places commissioned in the Borough's own specialist provision, and
- (v) a rise in numbers of pupils with EHCPs and additional funding in mainstream (and in unit costs)
- (vi) Increase in requests for assessments that have resulted in plans issued.
- (vii) Low number of annual reviews attended and plans ceased at appropriate points.

This High Needs strategy sets out a five year plan to address the current overspend, which identifies three key areas which specifically impact on High Needs Block spend:

- development of local capacity to meet a broader range of needs and reduce reliance on higher cost placements in the independent/non-maintained sector

- strengthening capacity for inclusion in local mainstream schools Croydon is the second highest London Borough in its percentage of pupils in special schools overall (1.06% of 0-19s compared to 0.9% England average<sup>1</sup>). In addition, it has an above average percentage of pupils in mainstream resource bases (0.15% vs 0.08% nationally).
- improved pathways for post 16 young people with SEND (currently 40% of the High Needs Block is spent on young people aged 17-25 with an EHC Plan).

There is political and community support for the SEND Strategy, which supports delivery of improvements to address these areas, including improved use of data intelligence in projecting and planning for resources to meet identified needs.

A key area of growth in spend has been on pupils with Autistic Spectrum Disorders (ASD). Numbers being diagnosed have increased considerably and this group accounts for the highest percentage of placements in independent/non-maintained special schools. Croydon has made a successful application for a new free special school (2-19) which will cater for ASD pupils with severe learning difficulties. This is expected to admit pupils from September 2020.

There has also been significant growth in demand for 16-25 specialist provision. This now accounts for around 40% of High Needs spend. Further increases, fueled by parental expectations generated by the national SEND reforms, are in danger of adding to the existing deficit and eroding capacity to meet High Needs at earlier phases (school age and early years).

See Appendix 2 for age related data.

### **Croydon's DSG deficit recovery plan:**

#### ***Broad directions:***

The Local Authority's strategy has been based around an 'invest to save' approach. In addition to the new ASD special free school, additional places have been commissioned in a number of local special schools and resource bases. A new Post 16 local pathway is being created at Croydon FE College which is designed to support a more effective transition for young adults with complex and significant needs into local adult social care provision. In order to create a stronger and more consistent universal (mainstream) offer, steps are under way to develop a new mainstream funding model linked to clusters of mainstream schools. This will be introduced initially on a pilot basis and, if successful, will extend Borough-wide.

The Authority has also commissioned an external review of the organisation and funding of its specialist and alternative provision. This has identified a number of issues, particularly the need for:

- specialist/alternative provision to focus more clearly on those pupils with complex and significant ('exceptional') difficulties

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<sup>1</sup> CSIE statistics for 2017 (published in April 2019)

- clearer and more consistent progression pathways that will help build the confidence of parents/carers in local provision (specifically in regard to the provision and community based offer to support transition to adulthood for those likely to be eligible for adult social care and mainstream SEN support)
- a collective commitment to meet the needs of pupils within Borough wherever possible
- a greater emphasis on the development of independent/resilience so that Croydon children and their families are more able to deal with the challenges of progression to adulthood
- a more formal role for specialist/alternative providers in helping to strengthen the capacity of ordinary mainstream schools to meet a broader range of needs

Steps are also in hand to establish a working group (involving parents/carers) to co-produce a range of local 16-25 pathways for young adults with different levels of need. This will require a clear budgetary reference point to ensure a managed and financially sustainable approach.

The following section sets out more specific details with regard to how the deficit will be addressed over a five year period. We do not consider that a three year time limit is realistic, given the size of the existing deficit and the short-term strategic commitments that have already been made. Financial modelling is based on reasonable assumptions. However, there are still considerable risks that will have to be managed. These are set out in the final part of this paper.

***Planned savings - to result in a budget by 2024/25 £5.6million less than 2018/19 out-turn:***

**(i) Independent/non-maintained special schools (high cost):**

The Authority currently has 225 pupils in independent/non-maintained specialist provision at an overall cost of £11.8m. Placements for 176 of these cost more than £30k per year. Spend per pupil ranges from £7k pa to £234k pa.

The new special free school (Addington Valley Academy) is being targeted at pupils with ASD and significant learning difficulties who are currently placed in schools such as Kisimul, Eagle House and Papillon. Costs of this provision are in the region of £50k pa to £100k pa for a total of 41 pupils. Planned place costs for AVA are £32.7k pa. If AVA is able to meet this needs profile successfully, we would expect a saving of **£1.3m** at the end of the 5 year period

**(ii) Independent/non-maintained (INM) special schools (moderate cost):**

It is expected that the needs of the significant majority of other pupils placed in the independent, non-maintained sector could be met by strengthening the capacity of our existing special schools (in particular, Chaffinch Brook, which caters for higher functioning pupils with ASD). Pupils are currently placed in a range of independent non-maintained schools, with significant groupings at Baston House (10) and Blossom House (9). Costs of this provision typically range from £35k pa to £45k pa.

Place costs at Chaffinch Brook are £28.7k pa. If this school is able to meet the expected needs profile successfully, we would expect a saving of around **£730k** at the end of the five year period. Additional savings would be achieved through enhanced capacity in other local specialist provision although these are likely to be more modest.

**(iii) Independent Non-maintained schools/colleges: 16-25:**

It is estimated that over 40% of the current High Needs spend is on students who are 16-25. 114 of the pupils in INM specialist provision are post 16. 81 of these are Y14 plus, and 61 19+.

Spend on post 16 independent, non-maintained is £5.67m, with £3.44m spent on Y14 plus and £2.69m on post 19. Proposed savings for the 16-19 age group (higher cost) are included in section (i) above. However, it is estimated that, if the proposed local post 19 pathway at Croydon College can be established successfully, a saving of **£630k** could be made, with a further **£330k** if provision is offered (and accepted) from Y14 (see Appendix ii for modelled savings achieved through the first year of current pilot post 19 pathway).

**(iv) Reduction in overall use of specialist provision:**

Establishing local pathways to provide for pupils and students currently in independent, non-maintained (INM) specialist schools and colleges requires suitable places to be available. An additional 150 places are planned at the new free special school (AVA) with extra places also being commissioned from St Nicholas and Red Gates (primary special school provision). The new Croydon College pathway will provide 75 places. This is a considerable investment, which exceeds current INM occupancy. The increase in local places also reflects ongoing growth in overall demand for places in specialist provision, which is outstripping supply.

Our financial analysis indicates that independent, non-maintained savings will not be sufficient to address the full extent of the deficit and changes will therefore be needed in other areas. There will need to be progressive downscaling of costs across the continuum of provision, with an overall reduction in use of specialist provision overall. Developments are in hand to strengthen mainstream capacity for pupils with more modest ('predictable') needs. It is expected that these developments will lead to a more consistent universal offer and reduced reliance on specialist options to meet this level of difficulty. This will help create space at the Borough's special schools (particularly, St Nicholas, Bensham Manor and Chaffinch Brook) for pupils educated in independent, non-maintained schools or specialist provision in other Authority areas (200 pupils are currently placed in other LA special schools). Re-commissioning of mainstream resource bases (Enhanced Learning Provisions) is also in hand to ensure that these focus more consistently on pupils whose needs are difficult to meet in conventional mainstream settings.

It is estimated that, if mainstream developments are successful, 100 fewer places in specialist provision will be required in 5 years' time. This will lead to a cost saving of **£1m** (based on reduction in place costs but retention of top-up).

It is also expected that admissions to specialist provision will be arranged more

quickly. A relatively high number of pupils awaiting placement are educated in alternative provision (Springboard). A more limited focus of this provision on those pupils who are unable to attend school for medical reasons should lead to savings on this budget of around **£0.4m**.

**(v) Central SEND spend:**

The Authority currently spends £5.2m from the HNB on a range of central SEND services. These include support services, therapy costs and a proportion of funding for SEN transport and administration. In addition, the HNB is funding the cost of the Virtual School and the primary PRU intervention programme.

Reductions in this spend will be achieved through:

- (i) Relocation of some existing costs to other DSG budgets (CSSB/PPG)
- (ii) Savings in SEN support service budgets (through budget reduction or increased level of trading)

It is estimated that **£0.5m** of the deficit can be recovered through these mechanisms.

**(vi) Other**

Consideration will need to be given to the following other options for recovering the full extent of the deficit:

*(a) Limiting entitlement to post 16 education to 3 years rather than 5:*

Currently a number of special school pupils go on to FE colleges/independent, non-maintained placements following 2 years in the 6<sup>th</sup> form. This can lead to a 5 year overall programme with considerable levels of duplication in the curriculum offer. Limiting the length of study for most students to 3 years would achieve further savings at 16-25 and a more structured pathway for pupils into adult care in the community. (See Risk table)

*(b) Reducing top up levels in some specialist provision:*

The recent external review of special school funding and organisation highlighted some areas of Croydon's provision which are higher cost when benchmarked against similar schools in other Authorities. Some adjustments could be made that bring costs more into line. However, these need to be set against the expectation that school profiles will change with INM pupils being educated more locally in the future.

*(c) Rationalisation of local specialist provision (savings in management costs):*

A number of Croydon's existing special school sites are no longer fit for purpose and this is becoming clearer as needs become more complex. Depending on availability of suitable sites, there is scope for relocation of provision for SLD/PMLD onto one campus with associated savings in management costs.

It is estimated that the combined effect of these three options could lead to a saving of £1m pa by the end of the 5 year period.

**Summary of proposed savings (net):**

The savings identified above are summarised in the table below:

<b>Savings category</b>	<b>Net savings pa after 5 years</b>
INM special schools (high cost)	£1.30m
INM special schools (moderate cost)	£0.73m
INM 16-25	£0.63m (tbc once costs of local Croydon provision agreed)
Numbers in specialist provision overall	£1m (+ 0.4m)
Central SEN spend	£0.5m
Other	£1.0m
<b>Total</b>	<b>£5.9m max</b>

**Risks/issues:**

Reducing existing levels of High Needs spend involves significant challenges and will depend on the shared commitment of local stakeholders. The current national context (with increased parental choice and expectations and more limited Local Authority influence over school practice and priorities) does not make this easy.

In addition, there are a number of design issues that could potentially jeopardise the successful delivery of the deficit recovery programme.

**Level and phasing of new investment:**

- (i) The new special free school was set in process before the current LA administration. 80 places are being commissioned from September 2020 increasing to 150 in 2023. The intention is that the school should focus on pupils with ASD and significant learning difficulties (as a local alternative to higher cost INM provision), and the school is funded accordingly (£32.7k pa per pupil). However, analysis of the existing INM population indicates that there are only 41 pupils with this kind of profile. While cost savings can be made at an individual pupil level, there are risks that vacancies will be filled by pupils with lower levels of need (who are currently being funded less substantially). There are also concerns that parents of some pupils in the Authority’s SLD schools may opt for AVA, reducing their viability.

The DFE has indicated that it expects the school to reach its full numbers within a specified timescale. However, many parents of pupils in independent, non-maintained schools may prefer their children to see out their current school phase before considering new local options.

Restricting probable Independent Non Maintained transfers to key stage 'leavers' suggests a much more modest pattern of AVA admissions, and a slower build-up of pupils and cost savings over time.

There is a big risk that a speedy build-up in numbers will mean that the Authority will have surplus provision that could contribute to an 'upscaling' of overall costs. 80 places in 2020 means an investment of over £2.6m in year 1, leading to £4.9m by 2023. This needs to be matched and significantly exceeded by independent, non-maintained savings at the end of the 5 year period.

If the number of planned places is to be maintained at existing levels, then serious consideration needs to be given to selling a proportion of places to other neighbouring Authorities, so that the school can work on a broader area basis.

- (ii) There are similar issues with the Croydon College development. 70 places (up to 2021/22) are being commissioned at an overall cost of around £1.6m pa (tbc). The expectation is that these will cater for pupils with SLD/PMLD/ASD from post 16 and for those who have traditionally continued into and beyond INM colleges at the end of their 6<sup>th</sup> form period. There are currently 61 students in independent, non-maintained colleges who are 19+ (Y15 on). 26 of these are at Orchard Hill College Academy Trust (OHCAT), 11 at Young Epilepsy College (YEC) and 6 at Nash. The rest are distributed in ones or twos across a range of other providers. 17 are categorised as ASD and 27 are SLD/PMLD/PD.

If the students who would have attended OHCAT, Nash and YEC all go to Croydon College post 19 in future, net savings per pupil can be made.

If the College admits students at Y14, it may be possible to fill places with pupils currently staying on to 19 in the independent, non-maintained special schools sector (e.g. at Kisimul, Papillon and Eagle House).

A gradual phasing in of the Croydon College provision would help ensure that its focus remained on those with complex and significant needs, and allow time to locate this pathway within a broader local framework for 16-25 education for SEND.

### ***Quality and 'robustness' of new local pathways:***

In order to achieve maximum 'buy in' from parents/carers to the new local options, it will be vital to ensure high quality provision. This will take time to establish. Again there would be benefits in a gradual/phased approach to admissions, so that good practice can be extended from a secure base.

A process of ‘voluntary transfer’ will be necessary (rather than enforced placement changes). While this will encourage parental commitment to the new provision, it will mean that cost reductions will be slower to achieve.

### Summary of key risks

Issue	Risk	Mitigation
Increase in special school places (new free special school) – phasing, too many places, too soon	Increased spend in state-funded special school places out-strips savings in ind/nm	Recovery Plan shows increased costs in years one and two, with decreases accruing over the following three years.
16-25 Strategy for Vulnerable Young people is not established and Post 16 pathways to adulthood are not effective in supporting transition for young people from specialist education to adult care in the community at age 20 years for those for whom lifelong supported care is needed	High Needs Block commitments extend to 25 years old, with EHC Plans lapsing (rather than being ceased at 20 years as part of a planned health and care transition process.	SEN Service and transition social workers plan effective pathway into supported independence earlier, with effective communication about the local offer. The offer of supported transition (e.g. through Youth Disability Waddon Pathway) is extended to enable this to be a consistent offer. Eligibility for access to this pathway communicated effectively.
Increased capacity of mainstream schools to meet children’s needs, so that there are fewer placements in special schools, a more consistently effective SEN offer in mainstream schools and a reduction in requests for EHC needs assessments and EHC Plans.	The Council is working with locality groups of schools to introduce Inclusion Funding to better meet the needs of children with SEN earlier and without the need for an EHC Plan. Schools are reticent to take part in the pilot inclusion funding programme unless significant sums of ‘new/transformation’ money is made available. This level of funding is not sustainable in the future and with the current High Needs Block funding pressures.	Provide some additional resource, over and above the original inclusion funding model, in particular, to incentivise the development of a collaborative schools’ approach focusing on consistent and preventative good practice (e.g. behavior consultant or literacy specialist teacher employed between schools)

### ***Cooperation from local stakeholders:***

Croydon has had a strong historic reliance on specialist provision which has contributed to the current high level of costs. To achieve progressive 'downscaling', it is essential that mainstream schools commit to becoming more inclusive. This does not require changes in all settings but the mainstream offer needs to be more consistently strong, with schools willing to introduce changes in practice and prioritise this area for development.

This may be difficult to achieve at a time when mainstream schools are experiencing a number of cost pressures themselves, as well as increased accountability for school performance. Changes in the new Ofsted framework and resulting from the recently published Timpson review may help some re-balancing of priorities. However, funding pressures remain.

The Authority has decided to 'pump-prime' the development of a new mainstream SEND funding model for a period of 2 years (at a cost of £1.2m pa). This will be provided from core LA budgets. However, this is not sustainable in the long term and funding will be dependent on savings in overall spend on specialist provision and/or increased funding for mainstream schools that may result from the Government's forthcoming spending review.