

Schools Forum – 13th February 2019

High Needs Block update

Recommendations:

1. That Schools Forum notes the updates to the High Needs Block including actions taken to reduce the overspend in the years 2018/19 and 2019/20.

PART A

Reasons for recommendations:

2. The current state of the High Needs Block across English local authorities is gaining public recognition. Lobbying by a number of different groups including F40, County Councils Network (CCN), Society of County Treasurers along with others have been in the national headlines.
3. At Schools Forum on 18th October 2018 a paper was presented indicating options for the recovery of the High Needs Block overspend. At the time of the report the overspend was forecast to be £7.7m. This has since risen to in the region of £8.3m. This means that there will be insufficient money in DSG balances to cover this overspend.
4. Schools Forum took the decision not to support the transfer of 0.5% from the schools block to the high needs block. Subsequently the Local Authority has made representation to the Secretary of State for the switch to take place and is awaiting a response.
5. The DfE have confirmed that Staffordshire will receive £1.7m in 2018/19 and a further £1.7m in 2019/20 additional funding for the High Needs Block, following the announcement of the additional £250m for SEND in December 2018. This has the effect of reducing the forecast overspend to £6.6m.
6. A number of the actions reported within the HNB recovery plan have been implemented and will deliver £2.5m savings in 2019/20 and a further £1m in 2020/21

7. Using this latest information, the table below illustrates the position of the High Needs Block :

	Forecast including additional DfE funding (£m)	Forecast including recovery action savings (£m)	Forecast including recovery action & 0.5% switch (£2.4m) (£m)
Opening DSG Balances	5.05	5.05	5.05
2018/19 Forecast overspend	-6.60	-6.60	-6.60
2018/19 Closing DSG Balances	-1.55	-1.55	-1.55
2019/20 Forecast overspend	-6.6	-4.1	-1.7
2019/20 Closing DSG balances	-8.15	-5.65	-3.25

PART B

Background

8. The financial risk was previously notified to Schools Forum when the 2016/17 outturn was £2.5m over budget before planned use of reserves. The increase in demand on the High Needs Block has mainly arisen from a significant increase in a range of areas. These include:
- Additional needs requests
 - Increase in pupil numbers requiring EHCPs,
 - Extension of age group to 25 for those with EHCPs,
 - Increase in out of county placements and costs,
 - Increase in Matrix funding for special schools,
 - Increased numbers of exclusions from mainstream schools,
 - The funding of increased numbers of pupils out of education.
9. The allocations within the National Funding Formula (NFF) have identified that there is an additional £2m added into the High Needs Block in 2018/19, rising to £3.8m in 2019/20 from the 2017/18 baseline.
10. Following the announcement of the additional £250m for SEND in December 2018, Staffordshire has received an in year contribution of £1.7m and a further £1.7m in 2019/2020
11. Even with this additional funding the DSG balances will be brought into deficit without further action. The current financial pressures within the County Council mean that there will not be funding available from the local authority once current balances are exhausted. This is a situation that a majority of local authorities in the country are facing and there is national pressure on the government to review the allocation of High Needs funding.

12. The local authority has a strategic vision of increasing the opportunities for districts to have greater management of funding through locality arrangements in order to provide early intervention for need, as well as a consequent reduction in administrative costs, over time, to both schools and the Local Authority. These include options to develop Resource Centres and Contact Bases in mainstream schools. A number of these options are being considered and developed, through the SEND Transformation Programme, in order to prevent later higher cost needs and pupils being referred into statutory processes.

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List of background papers:

Appendix A – High Needs Block recovery

Appendix B - Society of County Treasurers letter