

Schools Forum – 17th October 2019

High Needs Block update

Recommendations:

That Schools Forum:

1. Notes the updates to the High Needs Block following the report previously presented in July 2019.
2. Notes the local authority's intention to consult with schools regarding the 0.5% funding switch in 2020/21.
3. Advises that the outcome of the consultation should be brought back to Schools Forum either:
 - a) Electronically; or
 - b) Through an Extraordinary Schools Forum

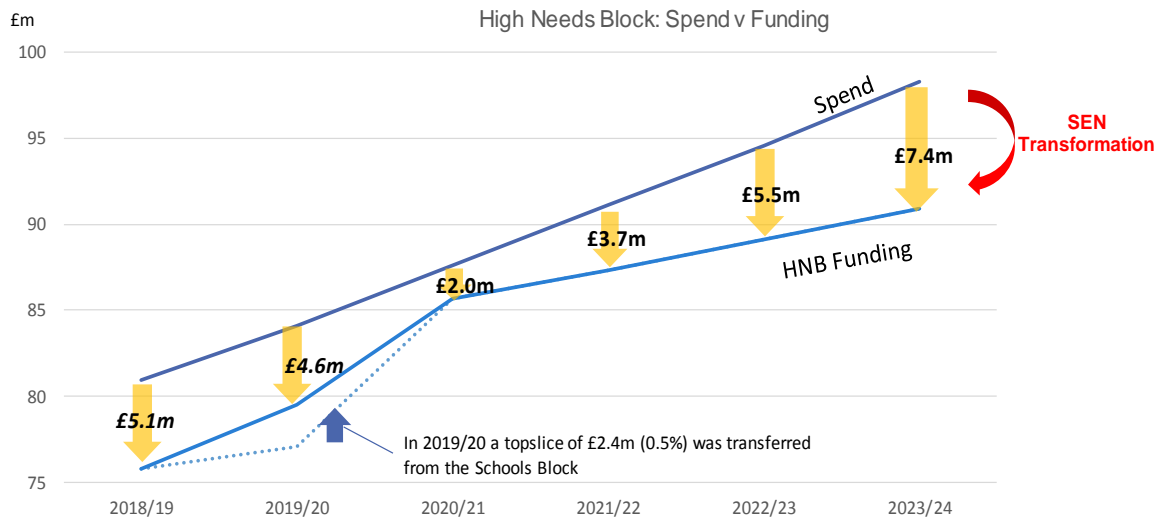
Report of Deputy Chief Executive and Director for Families and Communities

PART A

Reasons for recommendations:

4. Schools Forum requested regular updates on the latest position of the High Needs Block including the impact of the additional DfE funding of £1.7m in 2019/20 and the transfer of £2.4m (0.5%) from the Schools Block to the High Needs Block.
5. The forecast outturn for the 2019/20 High Needs Block is £4.6m overspend, an increase of £2m from the £2.6m previously reported in July. This a result, in the main, of rising costs within Independent Schools.
6. The Government, as part of the recent Spending Review, announced a further £700m funding for the High Needs Block in 2020/21. It is estimated that this will provide for an additional circa £8.6m for Staffordshire and will go a long way to addressing the current underlying budget shortfall in this area.
7. Unfortunately, and assuming:
 - a) the additional HNB funding will remain in place going forward and,
 - b) that funding levels going forward will increase annually thereafter in line with inflation,

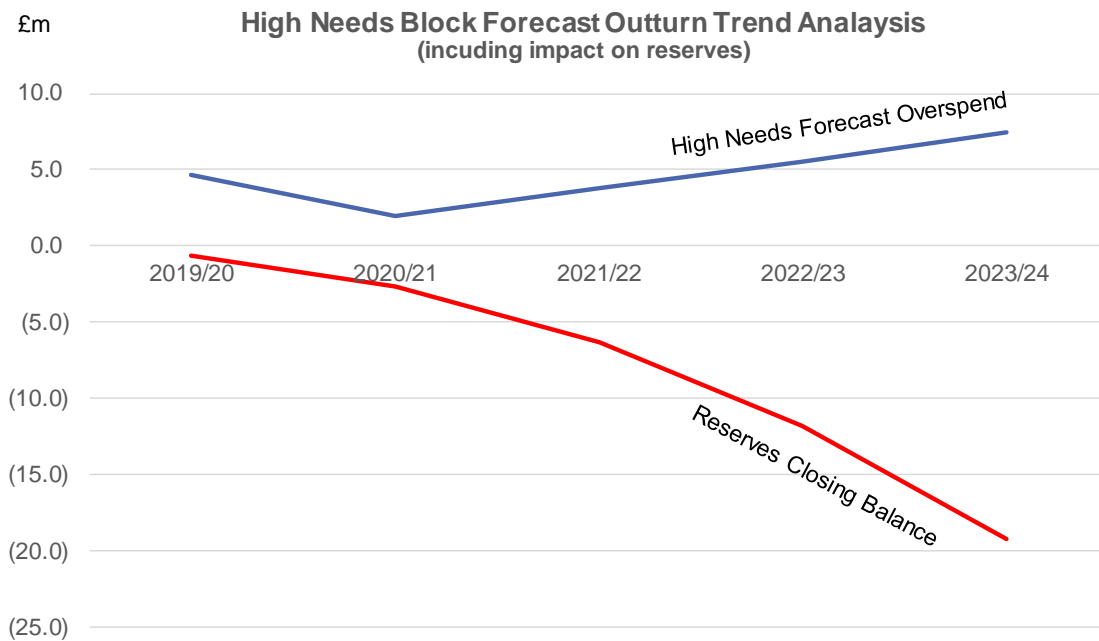
given the increasing cost and demand for SEND, this additional funding is unlikely to address the funding gap completely and there is still likely to be a shortfall in 2020/21 of £2m, rising to £7.4m annually by 2023/24.



8. Using the latest information, the table below illustrates the effect of the High Needs Block on the overall Dedicated Schools Grant (DSG) balances. It is expected that, at the end of the current year, the DSG reserve will be all but depleted and there will be no 'buffer' available to help manage future budget pressures:

DSG Reserve	2019/20 £m	2020/21 £m
Opening Balance	4.0	(0.6)
High Needs Forecast Overspend	(4.6)	(2.0)
Forecast Closing Balance	(0.6)	(2.6)

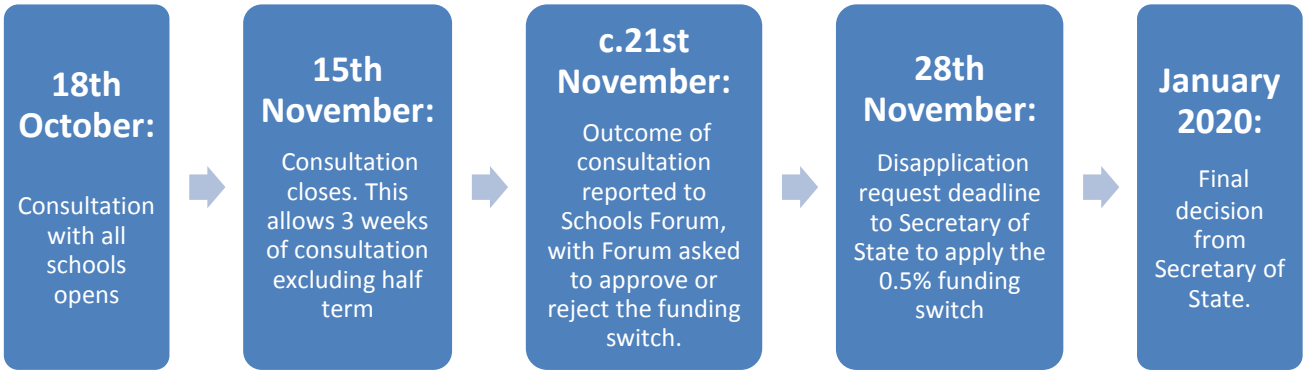
The graph below gives further projections based on current spend of the impact on overall reserves.



0.5% Funding Switch

9. The schools revenue funding 2020 to 2021 operational guide, issued in September 2019 by the Education & Skills Funding Agency (ESFA) confirmed that local authorities may transfer up to 0.5% of their schools block funding into another block, with the approval of their schools forum. Up until this guidance was published it was not known if this flexibility would continue.
10. There is a need to protect DSG balances through the short term due to rising demands and costs of SEND in Staffordshire. It is expected that the SEND transformation will yield savings over the medium term.
11. It is important to continue to lobby Government for additional funding as even with the injection of £700m nationally, although very welcome, is unlikely to close the gap in funding.
12. The timetable for the funding switch approval is very tight. All schools need to be consulted with. Schools Forum needs to be informed of the results of the consultation in order to approve or reject the funding switch. If the funding switch is not approved by the Schools Forum then this need to be referred to the Secretary of State by the 28th November.
13. With this tight timescale in mind, it is Schools Forum's decision as to whether they want to meet in an extraordinary Forum to discuss the outcome of this consultation or vote electronically.

Key Milestones



PART B

Background

15. The financial risk of the High Needs Block has been a standing agenda at Schools Forum. 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,
 - The funding of increased numbers of pupils out of education.
16. The additional contribution of £1.7m in 2019/2020 and the transfer of £2.4m (0.5%) from the Schools Block to the High Needs Block means that the HNB in 2019/ 20 is £79m. This includes £29m for planned places allocated to schools.
17. The main areas of forecast overspend within the High Needs Block in 2019/20 are provided within the table below. A more detailed overview of the High Needs Block budget is provided within Appendix A.

<u>High Needs Budget 2019/20</u>	Budget £m	Forecast Outturn £m	Over / (Under) spend £m
Staffordshire Special Schools and Academies	13.9	14.5	0.6
Staffordshire Mainstream Schools	9.7	11.5	1.8
Pupils in other LA Special & Mainstream Schools & Academies	1.1	1.3	0.2
Independent Schools Mainstream	0.8	1.4	0.7
Independent Schools Special	9.4	11.8	2.4
Other	45.5	44.4	(1.1)
Total	80.3	85.0	4.6

18. Although there has been an increase in the High Needs Block the DSG balances will be brought into deficit in 2020/21 without further action. This is a situation that a majority of local authorities in the country are facing.
19. The government have reviewed the allocation of High Needs funding and in August 2019 announced an additional national allocation of £700m in 2020/21 for the High Needs Block compared to existing (2019/20) funding levels.

20. The allocation to each local authority will not be known until December 2019 and there remains uncertainty as to whether the additional £700m, or indeed the extra £125m that was announced in December 2018 and is also within the current budget (of which Staffordshire receive around £1.7m), will be included in the base going forward and therefore ongoing.

For now, the assumption is that additional funding will continue beyond 2020/21 and that, going forward, the High Needs Block will continue to increase annually thereafter in line with inflation (cash flat in real terms).

21. In 2019/20 the Secretary of State approved a 0.5% funding switch from the Schools Block for High Needs for circa £2.4m. By removing this, we estimate that the overall increase in 2020/21 from the 2019/20 budget is c£6.2m - c£7.5m depending on the calculation used by the government.
22. Using these estimated figures, the table below illustrates the effect on the DSG reserves.

DSG Reserve	2019/20 £m	2020/21 £m		2021/22 £m	
		Best Case	Worst Case	Best Case	Worst Case
Opening Balance	4.0	(0.6)	(0.6)	(1.3)	(2.6)
High Needs Forecast Overspend	(4.6)	(0.7)	(2.0)	(2.4)	(3.7)
Forecast Closing Balance	(0.6)	(1.3)	(2.6)	(3.7)	(6.3)

23. Despite the additional Government funding, there remains a significant risk that in 2020/21 the High Needs Block will continue to be overbudget by up to circa £2m. Whilst the SEN transformation programme (see below) is expected to manage this underlying pressure in the medium term, it is unlikely that this will deliver the necessary savings next year or the year after. Accordingly the local authority will consult with schools for a further switch from the schools block to the High Needs Block to avoid bringing the overall DSG reserve into deficit in 2020/21.

SEND Transformation

24. The local authority has a strategic vision of increasing the opportunities for districts to have greater oversight 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. This is being developed through the transformation of the whole SEND delivery model in order to prevent later higher cost needs.
25. The programme of establishing the model across the county is continuing. Work to establish district arrangements are continuing in South Staffordshire and Staffordshire Moorlands. These developments are currently being extended to Tamworth and Cannock. The plan to include all other districts is in place so that by September 2020 district governance will be in place across Staffordshire.

26. Further work to revise the role of Special Schools in Staffordshire is underway and will continue to explore how to reduce the need for high cost independent placements.
27. This programme of work is included within the local area Written Statement of Action (WSOA) which is being implemented by the SEND partnership group.
28. Appendix B provides the latest status report of the WSoA and each of the 8 priority areas.

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2019-2020 HIGH NEEDS BUDGET			
(As at September 2019)	Latest Budget	Forecast	Over/(Under)
	£m	£m	£m
Planned Places	29.2	29.2	0.0
Top Up Budgets	26.5	29.1	2.6
Staffordshire Special Schools and Academies	13.9	14.5	0.6
Staffordshire Mainstream Schools	9.7	11.5	1.8
Pupils in other LA Special & Mainstream Schools & Academies	1.1	1.3	0.2
Pupil Referral Units	1.8	1.8	(0.0)
Non Top Up Budgets	22.2	25.7	3.5
Independent Schools Mainstream	0.8	1.4	0.7
Independent Schools Special	9.4	11.8	2.4
Independent Hospital Fees	0.3	0.3	(0.1)
Early Years PVI's	0.3	0.3	0.0
District Inclusion Partnerships	1.2	1.8	0.7
Education Other Than At School (EOTAS)	0.3	0.3	0.1
SEN Support Services	5.4	5.6	0.3
Post-16 FE Placements	1.6	2.2	0.6
Post-16 Top-ups for ISPs	3.0	2.0	(1.0)
SUB TOTAL	77.9	84.1	6.2
Additional Funding to Support Overspend	2.4	0.0	(2.4)
GRAND TOTAL	80.3	84.1	3.7
Funding	(80.3)	(79.5)	0.9
High Needs Allocation from Government	(77.9)	(77.0)	0.9
Transfers from other Blocks	(2.4)	(2.4)	0.0
NET FORECAST OUTTURN	(0.0)	4.6	4.6

Staffordshire Local Area Written Statement of Action Status September 2019

	Priority Area	Priority Activities	Overall Status of the priority Red - Delayed, Amber – In progress, Green - Completed,
Priority 1	Partnership roles and responsibilities that drive improvement or share what works well.	1.1 Roles and responsibilities to drive improvement 1.2 United vision and strategic planning to drive improvement 1.3 Effective communication to drive improvement	A
Priority 2	Aspirations and expectations for children and young people	This priority is embedded within the other priorities within the Written Statement of Action. (1.1, 1.2, 3.1,3.3, 4.0, 5.0, 6.0)	A
Priority 3	Co-production, 'tell it once' approach and local area's relationships with schools.	3.1 Co-production is strong across the local area 3.2 Parents/ carers and families state that the local area listens to them or their child. The 'tell it once' approach is embedded. 3.3 The local area's relationships with education providers are productive and meaningful.	A/G
Priority 4	Co-produced quality, aspirational of EHC plans with effective reviews	4.0 EHC plans are effective in identifying and addressing the holistic needs of CYP. They are understandable to parents and have clear, smart outcomes	A
Priority 5	Preparation for Children and young people at transition points	5.0 Arrangements for the review of the children and young people's needs at transition points between key stages, from one phase of education to another and then into employment/work readiness and independence are effective	A
Priority 6	Graduated Response	6.0 A transparent, informative and effective Graduated Response	G
Priority 7	Improvement work in schools, alternative provision and the independent sector.	7.0 There is effective oversight of improvement work in schools, alternative provision and the independent sector	A/G
Priority 8	Access to the right help and support.	8.0 Children and young people and their families have access to the right help and support. Arrangements for accessing some services are clear and transparent	A