

Schools Forum – 15th October 2020

High Needs Block update

Recommendations:

That Schools Forum notes:

1. the High Needs Block budget 2020/21 and latest forecast outturn.
2. the latest budget assumptions 2021/22 and going forward
3. the SEND stabilisation and Transformation Programme update
4. the Council's DSG 'management plan' to ensure reserve balances do not fall into deficit

Report of Deputy Chief Executive and Director for Families and Communities

Background

5. 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,
 - Numbers of permanent exclusions from mainstream schools,
 - The funding of increased numbers of pupils out of education.
- Budget 2020/21 and Forecast
6. The Government, as part of the last Spending Review, announced a further £780m funding for High Needs Block in 2020/21. For Staffordshire, the HNB in 2020/21 will be around £89m, an increase of £12m (15%) compared to 2019/20 (£77m). Staffordshire, along with other councils, have been lobbying for additional resource and it is a positive sign that the government has increased funding.
7. As in previous years, the schools block will be ring-fenced in 2020-21, with the option to transfer 0.5% of the Schools Block funding into the central school services, high needs or early years blocks, subject to the approval of Schools

Forum. Staffordshire's request to transfer 0.5% (equivalent to circa £2.5m) from the Schools Block to the High Needs Block was refused by Schools Forum in November 2019.

8. In 2020/21 the HNB budget is £89.1m; a net increase of £9.5m from 2019/20. This increase has been passed on in full for the provision of SEND; none of the funding increase has been used to repay historical deficits. Most significantly this has ensured:
- i. for 2020-21 Special School budgets have been set in line with rises approved for all maintained schools i.e.
 - a Minimum Funding Guarantee of 1.84% (significantly higher than the MFG set by Government of 0%); ensuring that funding for all Special Schools, on a like for like basis, increased by a minimum of 1.84%.
 - no capping of school gains
 - ii. additional capacity has been provided for the roll out and support of District Hubs aligned to the wider SEND and Inclusion Transformation programme. From 2020/21 an amount of £3m has been created to ensure local hubs and districts have sufficient resource and capacity to provide the necessary early intervention and outreach support for children in their local settings.
9. Whilst the additional Government funding will go a long way to meeting the current funding shortfall, it will not close the gap completely and there remains a forecast overspend this year of circa £2m (a more detailed overview of the High Needs Block budget is provided within Appendix A):

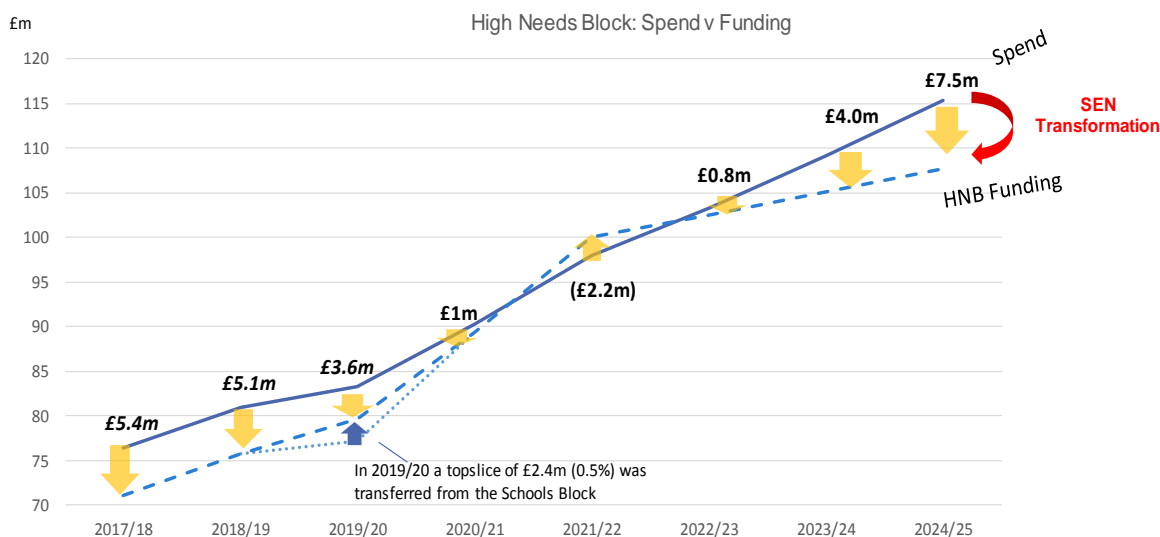
<u>High Needs Budget 2020/21</u>	Budget £m	Forecast Outturn £m	Over / (Under) spend £m
Planned Places	30.7	30.7	0.0
Top Up Budgets	30.9	33.0	2.1
<u>Non Top Up Budgets</u>			
Independent Schools (Mainstream & Special)	15.2	16.3	1.1
Alternative provision (inc DIPS)	3.2	2.4	(0.8)
Post 16	4.2	4.3	0.1
Other	4.9	4.7	(0.2)
Additional funding to support overspend	-	0.0	0.0
Total Net Spend	89.1	91.4	2.3
Total Funding	(89.1)	(89.4)	(0.3)
Net Forecast Outturn	(0.0)	2.0	2.0

- Budget 2021/22 and Going Forward

10. In 2021/22 the Government has confirmed a further additional investment in the High Needs Block. Based on initial estimates Staffordshire's budget next year will increase to c £100m¹ (an increase of 12% compared to 2020/21).

It is unrealistic to assume Government funding will continue to increase significantly and the assumption is that, going forward, the High Needs Block will increase annually in line with inflation (cash flat in real terms).

11. Whilst this additional funding will largely 'balance' the budget over the next three years 2020/21 – 2022/23, there remains a significant risk that on-going increases in the cost and demand for SEND support will likely see the funding gap develop again over the medium term by up to £7.5m if not addressed:



- SEND and Inclusion Transformation

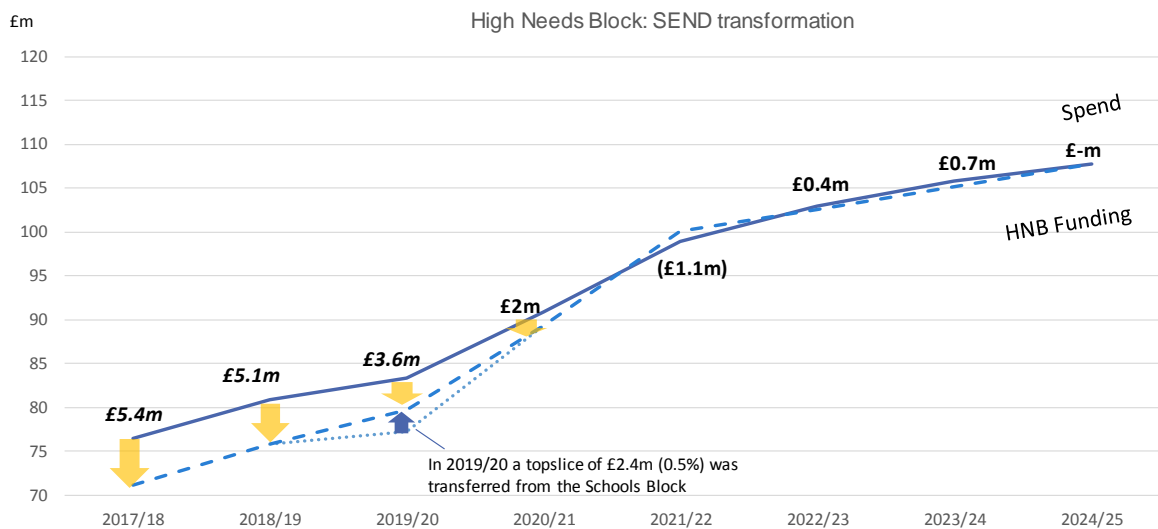
12. The aspiration for the SEND and Inclusion part of the system is to improve the outcomes for Staffordshire's children and their families. We aspire to an inclusive system underpinned by restorative practice and integrated into the District Footprint.
13. A graduated response toolkit has been developed. Schools and education settings are being trained and encouraged to use the toolkit to deliver and embed an effective graduated response.
14. During Covid-19 work continued to develop the SEND and Inclusion District Hubs, and there are now school and education hubs and a Locality Management

¹ Part of this increase includes the 'roll in' of Teachers Pay Grant and Teachers Pension Grant equivalent to £2.1m which up to now has been paid as a separate grant but going forward will be received as part of the High Needs Block.

Group (LMG) in each district. The hubs provide a mechanism to identify early and support children experiencing difficulties, therefore reducing the need for EHCPs.

15. To achieve the best outcomes for children and make better use of the funding available, the aspirational model of the partnership will create an inclusive system where there are more children with SEND receiving SEND support in mainstream schools. Special schools will provide outreach support to mainstream schools that will allow mainstream schools to provide high quality support to children identified with SEN needs.
16. To support the development of the new model, engagement and co-production with our partners is essential. During the COVID-19 lockdown SCC has continued to work with health and education settings to develop, improve and sustain partnerships. Regular conversations with the NHSE&I and DfE have been held and feedback on the progress made has been positive.
17. During the response to COVID-19, health providers and Staffordshire County Council have given advice and support to all schools. Special schools have been engaged to discuss opportunities to provide outreach support to mainstream educational settings.
18. The strategic vision for SCC is to increase the opportunities for districts to have greater management of funding through locality arrangements, which will enable them to provide effective early intervention to prevent later higher cost needs and pupils being referred into statutory processes. They will work closely with SCC commissioning officers to ensure that appropriate provision forms part of a county wide provision map and through procurement compliance provides good value for money.
19. The SEND code of practice requires the co-production of developments with all partners. To achieve the best outcomes for children and make better use of the funding available, a more inclusive system will be developed:
 - i. Where children are placed within county where at all possible.
 - ii. Where more children with EHCP's are educated within mainstream settings.
20. The key elements of the SEND model are as follows:
 - i. SEND locality hubs will provide a mechanism to identify and support children experiencing difficulties early, reducing the need for EHCPs.
 - ii. Children with moderate learning difficulties will be educated within mainstream settings whenever possible.
 - iii. Special schools will be encouraged to provide outreach support to Mainstream settings.
21. The special school strand of the SEND strategy will promote special schools providing for those with the greatest need reducing the need for placements in independent and non-maintained special schools.

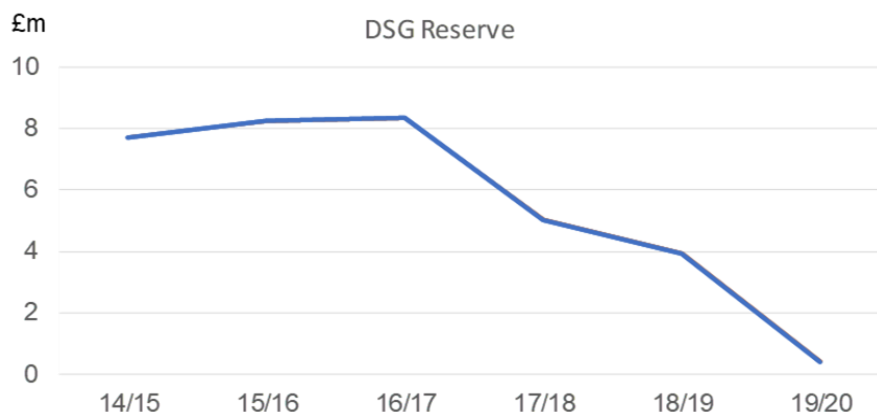
22. It is expected that this will provide a more sustainable model, improve relationships with district and school partners, and deliver improved educational and life outcomes for children and young people. It will also enable the effective management of demand and provide quality support within approved funding levels.



- DSG Recovery Plan

23. There has been a history of underfunding nationally of the Higher Needs Block which has led to significant year on year overspends in HNB, most recently for 2019/20 an overspend of £3.6m. That was after an additional 0.5% transfer from the school's block (circa £2.4m) approved by Secretary of State without which the overspend would have been greater.

24. As a result of the on-going overspend in the HNB, over the last few years the DSG reserve has been fully depleted and can no longer be used as a buffer to fund this on-going pressure:



25. Under new guidance brought in by the Government², any local authority with an overall deficit on its DSG account at the end of 2019/20 financial year, **or whose DSG surplus has substantially reduced during the year**, must bring forward a plan for managing their future DSG spend.
26. Whilst the Council's DSG reserve is not (yet) in deficit, under the above guidance the sharp decline in recent years means that the Council must now bring forward and maintain a 'management plan' to avoid DSG reserves falling into deficit.

In order to maintain a suitable level of financial resilience and stability, it is considered that the DSG reserve should be maintained at a level of not less than £4m (equivalent to c 2.5% of the annual DSG (excluding Schools)).

For 2020/21 the Schools Forum has previously agreed³ that surplus Growth Fund money this year (after amounts have been used to fund NFF shortfalls and contributions to schools for in year growth⁴) will be transferred to the Council's DSG reserve. It is estimated that, for 2020/21, this will be around £2.5m and will mitigate the forecast HNB overspend this year.

It is anticipated that in 2021/22, and going forward, the High Needs Block will be managed within overall budget. It is proposed therefore that in 2021/22 any surplus Growth Fund will again be transferred to the DSG reserve⁵.

This policy will be reviewed annually and until such time that accumulated DSG balances are returned to £4m.

SEND Stabilisation

27. In January 2020, a review of performance statistics identified the need for intervention to stabilise the SEND and Inclusion part of the system:
- increasing number of requests for Education Health and Care Needs Assessments (EHCNAs) (up from 1234 in 2018 to 1430 in 2019)
 - a reducing number of Education Health and Care Plans (EHCPs) issued within the 20-week statutory timescales (from 87% in 2017 to 64% in 2018 and a further reduction to 13% in December 2019).
 - a significant outstanding backlog that needed to be addressed (there were 490 EHCPs awaiting completion that had missed the 20-week statutory timescales).
 - a rise in permanent exclusions from 80 in January 2019 to 92 in January 2020.
 - a large proportion of children Electively Home Educated (EHE) had not had a home visit within the recommended best practice guidance of 12 month (700 out of 925 EHE children)

² Part of the Dedicated Schools Grant (DSG): conditions of grant 2020 to 2021

³ Schools Forum 16th January 2020

⁴ In accordance with the Councils' Growth Fund Policy

⁵ An alternative option would be to seek a further annual transfer of 0.5% from the Schools' Block (equivalent to c £2.5m). However, given the current pressures facing schools, this was considered a less favourable option at this time.

28. With significant additional investment, the Council's approach to stabilising the SEND and Inclusion part of the system is outlined below:
- Stabilise the number of EHCNAs approved for Assessment through the implementation of a Central Panel to moderate the requests for Assessment.
 - Increase the number of new (requested after January 2020) EHCPs completed within 20 weeks to 60% by August 2020 and 90% by March 2021.
 - Remove the Backlog of EHCPs that have breached the 20-week timescales by August 2020.
 - Reduce both permanent and fixed term Exclusions. This will be delivered by implementing restorative conferencing with an education focus that will inform the district footprint that was to be implemented in April 2020
 - Provide additional capacity to support
 - The Digital solutions that have been implemented
 - The Identification of children known to both SEND and Children Social Care
 - Tribunals and challenges through the addition of Legal support
 - The Elective Home Education
29. Whilst COVID-19 has caused some delay, wherever possible the planned SEND and Inclusion stabilisation activities have been implemented and with positive outcomes:
- By the 13th August 2020 325 children, who had been waiting more than 20 weeks for their plans, had a final plan issued. This reduced the backlog by 59%. It is anticipated that the backlog will be completed by December 2020.
 - Timeliness of new EHCPs has improved, with timeliness for July 2020 reaching 88%.
 - Staffordshire was experiencing difficulties in recruiting Educational Psychologists causing delays in the delivery of assessments. Salary grades were reviewed, and a recruitment campaign has been completed which has resulted in the appointment of additional Educational Psychologists.

There is an expectation that the remainder of the outcomes outlined will be delivered with a 3 to 6-month delay.

30. Given the additional Government funding and SEND transformation / stabilisation plans outlined above, it is expected that HNB spend going forward can be managed within forecast resources. Plans to re-establish the working group to review High Needs Block spend have, for now, been postponed until such time that the impact of the transformation programme can be better assessed.

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Appendix A

2020-2021 HIGH NEEDS BUDGET			
(As at August 2020)	Latest Budget	Forecast	Over/(Under)
	£m	£m	spend
	£m	£m	£m
Planned Places	30.7	30.7	0.0
Top Up Budgets	30.9	33.0	2.1
Staffordshire Special Schools and Academies	15.0	15.7	0.7
Staffordshire Mainstream Schools	11.4	12.5	1.1
Pupils in other LA Special & Mainstream Schools & Academies	1.7	2.0	0.3
Pupil Referral Units	2.8	2.8	0.0
Non Top Up Budgets	27.5	27.7	0.2
Independent Schools Mainstream	1.2	1.4	0.2
Independent Schools Special	14.0	14.9	0.9
Independent Hospital Fees	0.3	0.2	(0.1)
Early Years PVIs	0.1	0.0	(0.1)
District Inclusion Partnerships	3.0	2.0	(1.0)
Education Other Than At School (EOTAS)	0.2	0.4	0.2
SEN Support Services	4.5	4.5	(0.0)
Post-16 FE Placements & Top-ups for ISPs	4.2	4.3	0.1
SUB TOTAL	89.1	91.4	2.3
Additional Funding to Support Overspend	0.0	0.0	0.0
GRAND TOTAL	89.1	91.4	2.3
Funding	(89.1)	(89.4)	(0.3)
High Needs Allocation from Government	(89.1)	(89.4)	(0.3)
Transfers from other Blocks	0.0	0.0	0.0
NET FORECAST OUTTURN	(0.0)	2.0	2.0