

Schools Forum – 14th January 2021

High Needs Block update

Recommendations:

That Schools Forum:

1. Notes the updates to the High Needs Block following the report previously presented in October 2020.
2. Notes the update on the latest DSG government settlement

Report of Deputy Chief Executive and Director for Families and Communities

PART A

Reasons for recommendations:

High Needs Block Forecast Outturn 2020/21

3. Due to the considerable and on-going pressure in this area, Schools forum requested regular updates on the latest position of the High Needs Block.
4. The forecast outturn for the 2020/21 High Needs Block is £5.5m overspend. This is a significant increase from the position last reported and reflects the additional costs impacting on the HNB as a result of the EHCP backlog which has now been addressed. The overspend is largely a result of:
 - An overspend of c £2m in Mainstream Schools as a result of increased demand
 - An overspend of c £3m in our Special Schools as a result of increased demand and a rise in the proportion of children with higher needs and therefore costs
 - An overspend of c £1.5m in Independent Schools as a result of increased demand.
 - An underspend of c £1m in the Locality Hub budget due to the delayed roll out of the district model in some areas
5. As a result, it is expected that, at the end of the current financial year, the DSG reserve will be in deficit.
6. The Schools Forum, at the October meeting, approved a 'deficit recovery' plan earmarking surplus Growth Fund money to contribute to the DSG reserve. This will be reviewed annually, alongside the impact of the wider SEND transformation programme, to consider whether any further action is required.

School Funding Settlement 2021/22 (DSG)

7. At the Spending review the government reaffirmed their commitment to increase the schools' budget by £7.1 billion by 2022-23, compared to 2019-20 funding levels. This includes an uplift of £2.2 billion from 2020-21 to 2021-22 made up of:
 - i. £1.43bn (65%) for Schools
 - ii. £0.73bn (33%) for High Needs
 - iii. £0.04bn (2%) for Early Years
8. Funding to cover increase to teacher pay and pensions of c £2 billion will also be included from 2021 rather than paid separately.
9. Subject to confirmation of funding levels, initial estimations are that the Council will – with a contribution from the Growth Fund allocation - be able to fund in full the National Funding Formula (NFF) for schools in 2021/22. Significantly, sparsity funding for small and remote schools is increasing by more than 60% next year through the NFF.

PART B

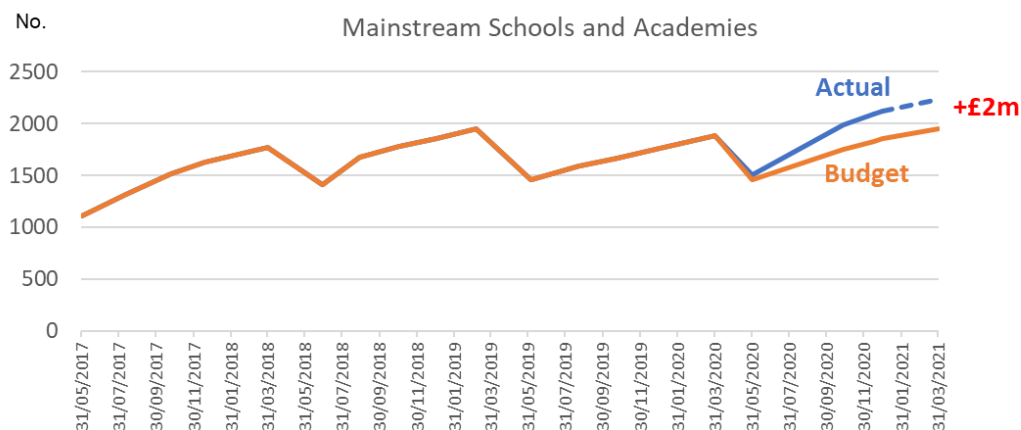
Background

10. 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.
11. Despite additional Government funding this year, as previously stated this is insufficient to close the funding gap and there remains an overspend of c £5.5m in 2020/21. This is significantly worse than the forecast last presented (c £2m) and reflects the impact of the backlog in EHCP assessments which have now been addressed.
12. The main areas of forecast overspend within the High Needs Block in 2020/21 are outlined below and summarised in the following table. A more detailed overview of the High Needs Block budget is provided within Appendix A:

High Needs Budget 2020/21	Budget £m	Forecast Outturn £m	Over / (Under) spend £m
Planned Places	30.7	30.7	0.0
Top Up Budgets	30.9	35.8	4.9
Non Top Up Budgets			
Independent Schools (Mainstream & Special)	15.2	17.0	1.8
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)
Total Net Spend	89.1	94.9	5.8
Total Funding	(89.1)	(89.4)	(0.3)
Net Forecast Outturn	(0.0)	5.5	5.5

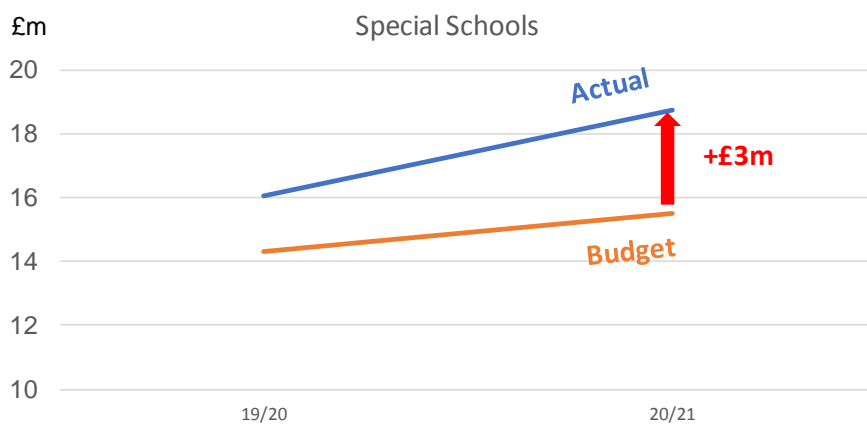
i. An overspend of c £5m against the school 'top up' budgets including:

- a. a rise in the number of children with EHCP/AEN support in Mainstream Schools and Academies leading to a £2m overspend:

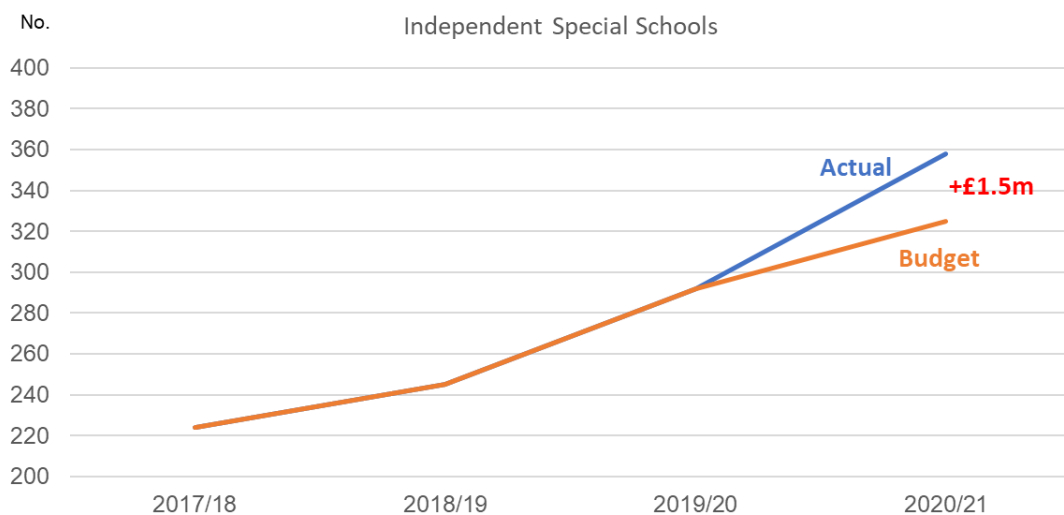


- b. An overspend of £3m in special schools and academies, arising as a result of both an increase in demand and a significant shift in the proportion of children with higher needs.

	19/20			20/21			
	#	£m		#	£m		
Top Ups:							
Matrix 1	664	0.1		611	0.1		-53
Matrix 2	790	1.3		815	1.3		25
Matrix 3	758	6.5		860	7.3		102
Matrix tbc	16	0.1	7.9	37	0.2	8.9	21
Specific school top ups	2228		0.8	2322		1.6	94
Additional Places	161		1.6	215		2.2	
Enhancements			2.9			2.9	
Exceptional Need Package			1.0			1.0	
Residential			1.8			1.8	
Adjustments (part time / backdated)			0.0			0.1	
Allowance for more growth						0.2	
TOTAL			16.1			18.7	



ii. An overspend of c £1.5m in Independent Special Schools



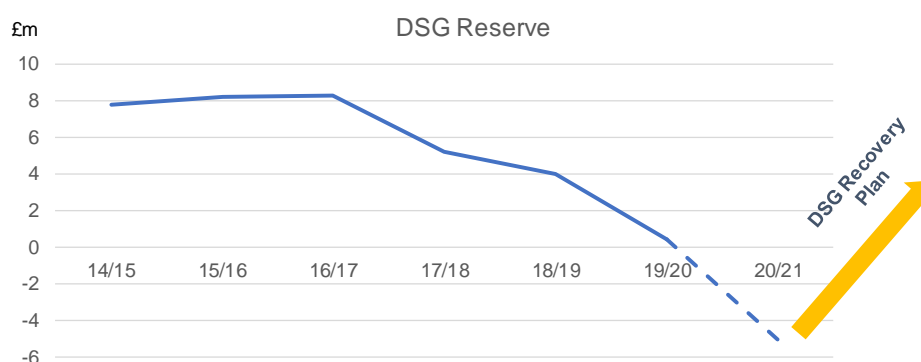
iii. In setting the 2020/21 budget additional capacity has been provided for the roll out and support of District Locality Hubs aligned to the wider SEND and Inclusion Transformation programme. Whilst all district hubs are now operational, initial delays in the expansion of the programme will likely to result in an underspend this year of c £1m.

Note: the High Needs Block does not include the following costs:

- SEND home to school/college transport; this is funded from the Council's general fund resources. The budget in 2020/21 is £11.9m and the latest forecast is that this budget will overspend by up to £3.1m in 2020/2021. The main issues driving up the cost of this budget are the increase in demand, the placement of children and young people in independent out of county special schools, an increase in the average cost per pupil which includes both transport and escort costs and an increase in single occupancy journeys.
- prudential borrowing; a further amount of £0.924m is funded from the Central Block for historical but on going debt charges as a result of borrowing previously taken out to finance historical capital investment in our Special Schools.

DSG Deficit Recovery Plan

13. As a result of the on-going overspend in the HNB, over the last few years the DSG reserve has been fully depleted and - given the forecast overspend 2020/21 – will go into deficit at the end of the current financial year:



14. Schools Forum, at its meeting in October, approved a deficit management plan utilising surplus Growth Fund money (after amounts have been used to fund NFF shortfalls and contributions to schools for in year growth¹) that will be transferred to the DSG reserve. It is estimated that, for 2020/21, this will be around £2.5m and in 2021/22 will provide for a further c £1m - £1.5m.
15. This policy will be reviewed annually and until such time that accumulated DSG balances are returned to the target level of £4m (equivalent to c 2.5% of the annual DSG (excluding Schools))

High Needs Block Workshop

16. A workshop has been arranged for 7th January 2021, involving members of Schools Forum, to consider further the key issues impacting on the High Needs Block. As this took place after the publication of this report, a verbal update will be given at Schools Forum of the outcomes and recommendations arising from that session.

¹ In accordance with the Council's Growth Fund Policy

School Funding - Dedicated Schools Grant 2021

Staffordshire Schools Block (all schools, including academies)

17. This has increased the Staffordshire allocation to £529.9m, an increase of £19.1m or 3.7%. Additional to this are the rolled up Teachers pay and pension grants of £24.6m, taking the overall schools block allocation to £554.5m.
18. Since 2018/19 Staffordshire has been using the National Funding Formula to allocate funding to schools. It is anticipated that in 2021/22 the maximum protections set out in the statutory guidance can be funded, although work is ongoing before this position can be finalised². It is expected that as in 2020/21 no capping will be required in 2021/22.
19. The funding protections will mean that each school will receive:
 - £4,180 for every Primary pupil (an increase of £430 or 11.4%),
 - £5,215 for every KS3 pupil (an increase of £415 or 8.6%) and
 - £5,715 for every KS4 pupil (an increase of £415 or 7.8%).

If the funding protections are applied in full each school will receive a minimum gain of 2% per pupil.

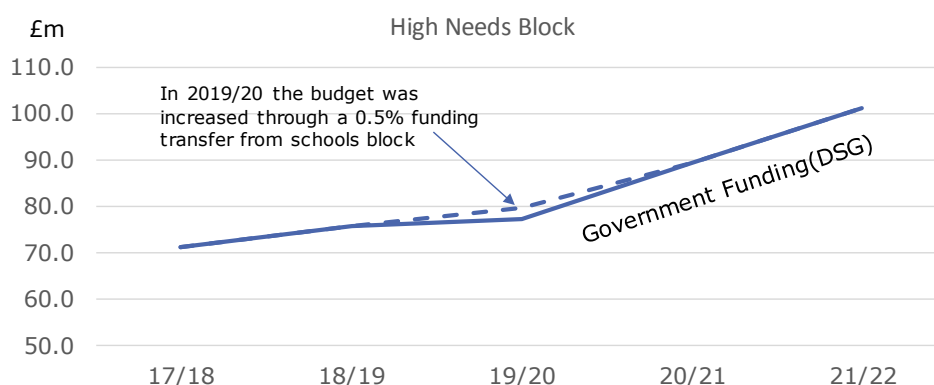
Early Years Block

20. The overall Early Years allocation has increased to £50.548m, an increase of £0.681m or 1.4%. This allocation is based on January 2020 census and there is still the intention from Government to use January 2021 census, which would then be adjusted in July 2021. This carries a risk that the number of children will have temporarily reduced due to the pandemic, which would adversely affect our overall level of funding.
21. The Early Years rates have increased to £5.36 per child per hour for 2 year olds (an increase of 8p or 1.5%) and £4.44 per child per hour for 3 and 4 year olds (an increase of 6p or 1.4%). Staffordshire is currently considering how this increase in allocation will be passed out to providers and this will be communicated as soon as possible and brought forward to Schools Forum for information at its meeting in March.
22. Allocations for the Disability Access Fund (DAF), £615 per child, and Early Years Pupil premium (EYPP), 53p per eligible child per hour, remain the same as previous years.

² This will involve using some of the Growth fund allocation to enable the NFF to be funded in full. We will need to ensure there is enough headroom in the Growth fund allocation to help with the Schools Forum agreed DSG deficit recovery strategy.

High Needs Block

23. For 2021/22 the Government has confirmed an increase in the overall High Needs Block nationally of £730m. This following many years of government underfunding that has led to a severe crisis in this area nationally, where funding levels have failed to keep pace with costs and demand.
24. The High Needs budget 2021/22 has now been finalised for a total of £101.0m; an increase of £11.6m compared with 2020/21 (13%).³



25. Staffordshire, along with other councils across the sector, have been lobbying for additional resource and it is a positive sign that the Government has – in the last two years – provided for significant additional investment in this area. Whilst this is appreciated, it will not close the gap completely and we will continue to canvas for additional resource.
26. Growing demand within the Special Educational Needs and Disabilities (SEND) system represents one of the Council's key service and financial risks. It is anticipated that through the transformation and implementation of the revised SEND Operating Model, supported by the new SEND strategy, will provide a more sustainable model, further improve relationships with district and school partners, and deliver improved educational and life outcomes for children and young people.

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³ Part of this increase includes the 'roll in' of Teachers Pay Grant and Teachers Pension Grant equivalent to £2.2m which up to now has been paid as a separate grant but going forward will be received as part of the High Needs Block. On a like for like basis, the actual increase is £9.4m (11%).

2020-2021 HIGH NEEDS BUDGET			
(As at November 2020)	Latest Budget	Forecast Outturn	Over/(Under) spend
	£m	£m	£m
Planned Places	30.7	30.7	0.0
Top Up Budgets	30.9	35.8	4.9
Staffordshire Special Schools and Academies	15.0	17.9	3.0
Staffordshire Mainstream Schools	11.4	13.5	2.1
Pupils in other LA Special & Mainstream Schools & Academies	1.7	2.0	0.3
Pupil Referral Units	2.8	2.4	(0.4)
Non Top Up Budgets	27.5	28.4	0.9
Independent Schools Mainstream	1.2	1.5	0.3
Independent Schools Special	14.0	15.5	1.5
Independent Hospital Fees	0.3	0.2	(0.1)
Early Years PVI's	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
GRAND TOTAL	89.1	94.9	5.8
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)	5.5	5.5