

Schools Forum – 25th March 2021

High Needs Block update

Executive Summary:

- The forecast outturn for the 2020/21 High Needs Block is £6.5m overspend. This is c £1m higher than the position last reported.
- The transformation and implementation of the revised SEND operating model, supported by the new SEND strategy, is expected to provide a more sustainable model.
- At the end of the current financial year the DSG reserve will be in deficit. A 'deficit recovery' plan earmarking surplus Growth Fund money to contribute to the DSG reserve will be reviewed annually.
- For Staffordshire the High Needs Block budget for 2021/22 has now been finalised for a total of £101.0m; an increase of £11.6m compared with 2020/21 (13%). None of this funding increase will be used to repay historical deficits.
- The Council recognises the financial pressures schools across Staffordshire are facing and will increase funding next year for all state funded special schools, on a like for like basis, by a minimum of 1.0%.
- Staffordshire will be providing a response to the DfE consultation about the proposals for a small number of changes to the national funding formula that is used to allocate high needs funding to local authorities in the 2022-23 financial year.

Recommendations:

That Schools Forum:

1. Notes the updates to the High Needs Block following the report previously presented in January 2021.
2. Notes the proposed High Needs Block budget 2021/22

Report of Deputy Chief Executive and Director for Families and Communities

PART A

Reasons for recommendations:

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.
 - High Needs Block Forecast Outturn 2020/21
4. The forecast outturn for the 2020/21 High Needs Block is £6.5m overspend. This is c £1m higher than the position last reported – mainly for Independent Special School provision - 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 £2.1m in Mainstream Schools as a result of increased demand
 - An overspend of c £3.1m 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 £2.9m in Independent Schools as a result of increased demand.
 - Other underspends of c £1.6m, mainly in the Locality Hub budget due to the delayed roll out of the district model in some areas
5. As a result, at the end of the current financial year the DSG reserve will be in deficit. 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.

- High Needs Block budget 2021/22

6. 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:
- £1.43bn (65%) for Schools
 - £0.73bn (33%) for High Needs
 - £0.04bn (2%) for Early Years
7. 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.
8. For Staffordshire 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%). This increase will be passed on in full next year for the provision of SEND support; none of this funding rise will be used to repay historical deficits.
9. The Council recognises the financial pressures schools across Staffordshire are facing and will increase funding to providers by as much as is affordable and fair, acknowledging the current pressures on the HNB and the depleted DSG balances.
10. For 2021-22 Special School budgets will be set based on:
- i. a Minimum Funding Guarantee of 1.0% (higher than the MFG set by Government of 0%); ensuring that funding for all Special Schools, on a like for like basis, will increase next year by a minimum of 1.0%.
 - ii. there will be no capping of school gains

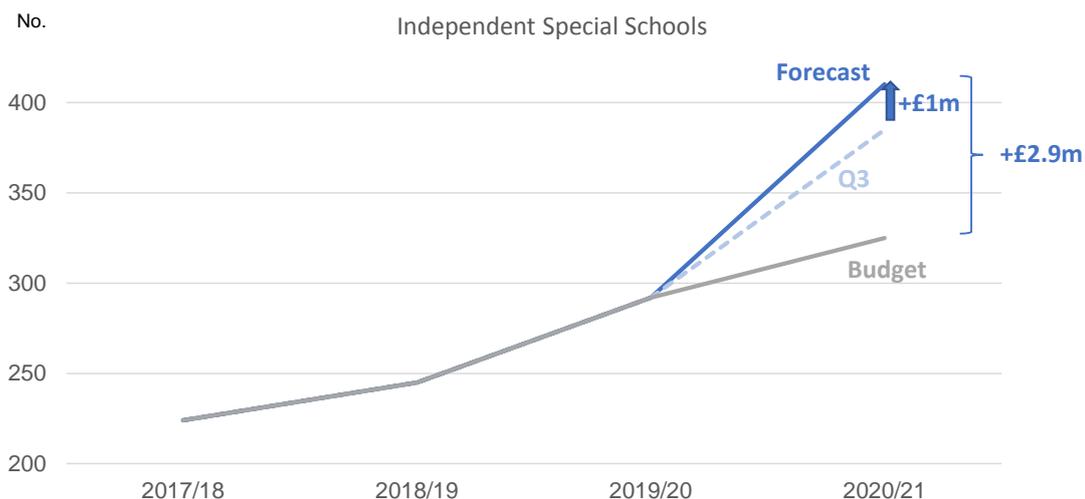
PART B

Background

11. 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.
12. Despite additional Government funding this year, as previously stated this is insufficient to close the funding gap and there remains an overspend of c £6.5m in 2020/21. The main areas of forecast overspend within the High Needs Block are outlined below and summarised in the following table. 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	36.1	5.2
<u>Non Top Up Budgets</u>			
Independent Schools (Mainstream & Special)	15.2	18.4	3.2
Alternative provision (inc Hubs)	3.2	1.9	(1.3)
Post 16	4.2	4.2	0.0
Other	4.9	4.6	(0.3)
Total Net Spend	89.1	95.9	6.8
Total Funding	(89.1)	(89.4)	(0.3)
Net Forecast Outturn	(0.0)	6.5	6.5

13. This is c £1m higher than the forecast last presented and reflects continued growing demand within the Independent provision. This is likely the impact of the backlog in EHCP assessments where the cost of new placements continue to filter through the system.



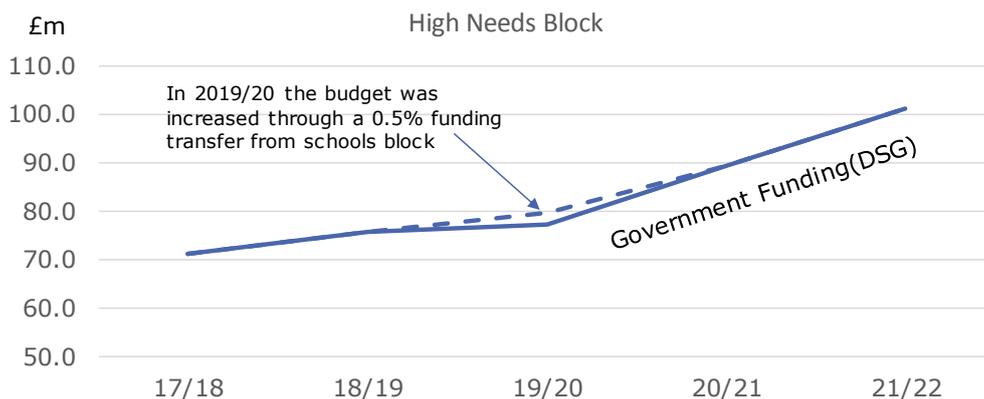
Note: the High Needs Block does not include the following costs:

- 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 £3.3m 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.

- High Needs Block Budget 2021/22

14. 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.
15. For Staffordshire 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%).¹

¹ 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%).



16. 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.
17. As in previous years, the schools block will be ring-fenced in 2021-22, with the option to transfer 0.5% of the Schools Block funding into the central school services, high needs or early years budgets, subject to the approval of Schools Forum. Given the increase in government funding next year, and that Schools Forum agreed in October 2020 a deficit recovery plan utilising surplus growth fund money, for 2021-22 no request has been made to transfer 0.5% from the Schools Block to the High Needs Block.
18. In 2021/22 the HNB budget is £101.0m; a net increase of nearly £12m compared to current funding levels. This increase will be passed on in full next year for the provision of SEND support; none of this funding rise will be used to repay historical deficits. The following summarises the proposed budget allocations for 2021/22 (see Appendix A for a more detailed analysis):

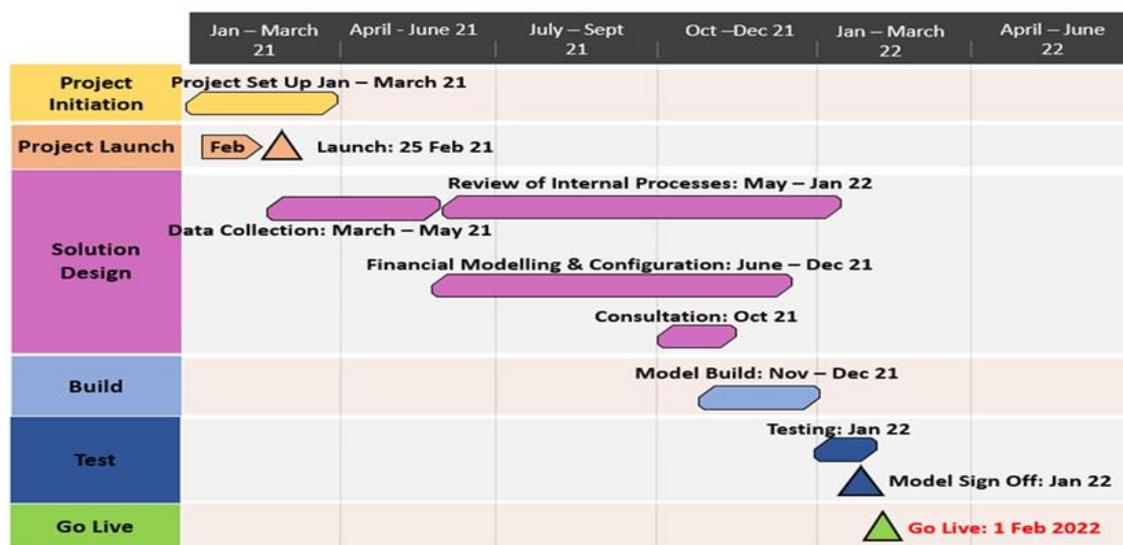
<u>High Needs Budget</u>	Budget 20/21 £m	Proposed Budget 21/22 £m
Planned Places	30.7	32.0
Top Up Budgets	30.9	35.9
<u>Non Top Up Budgets</u>		
Independent Schools (Mainstream & Special)	15.2	18.2
Alternative provision (inc Hubs)	3.2	3.4
Post 16	4.2	4.4
Other	4.9	7.1
Total Net Spend	89.1	101.0
Total Funding	(89.1)	(101.0)

19. The Council recognises the financial pressures schools across Staffordshire are facing and, given the increase in Government funding, will increase funding to providers by as much as is affordable and fair, acknowledging the current pressures on the HNB and the depleted DSG balances. For 2021-22 Special School budgets will be set based on:
 - i. a Minimum Funding Guarantee of 1.0% (higher than the MFG set by Government of 0%); ensuring that funding for all Special Schools, on a like for like basis, will increase next year by a minimum of 1.0%.
 - ii. there will be no capping of school gains
20. Growing demand within the Special Educational Needs and Disabilities (SEND) system represents one of the Council's key service and financial risks. A further overspend on the High Needs Block is projected in 2020-21 of around £6.5m and will mean DSG balances will go into deficit at the end of the current financial year.
21. 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.
22. To support that programme, c £2m has been set aside within the HNB to ensure District Hubs have sufficient funds and are able to provide the necessary early intervention required.
23. The SEND and inclusion District model is continuing to develop with the setting up of Locality Management Groups and Partnership Boards. Such forums will provide a strategic opportunity to establish a more bespoke provision map in order to meet the needs in the locality. Appropriate SCC officers are working to confirm financial and commissioning procedures. There have been 'transition' arrangements moving from funding connected to the District Inclusion Panels moving into the SEND and Inclusion district model.

Other Updates

- High Needs Block Workshop
24. On 9 February 2021 the High Needs Block Workshop, involving members of the schools forum, convened for the second time to consider further the key issues impacting on the High Needs Block. The focus of the session was on:
 - i. Establishing a national context of HNB funding and how Staffordshire compares against other authorities (see Appendix B)
 - ii. Modelling HNB spend and demand going forward
 25. It was agreed that at the next meeting, there will be a review of any non-statutory funding as well as the needs of those children and young people being placed in the independent, non-maintained sector.
- Education Banding Toolkit

26. The formal launch of EBT took place on the 25th February with 183 providers and LA Officers in virtual attendance. During the launch 39 questions were answered and the recording of the launch, slides and written copy of the questions and answers will be published on the Local Offer following engagement with parent/carers. Feedback from the launch event has been very positive (for more information see [Education Banding Tool Launch | Staffordshire Connects](#))
27. The number of school and parent/carers representatives requesting to be part of this project has been overwhelming and currently totals 37 and therefore an Implementation Reference Group has been established. This group will meet regularly for us to share progress with and to provide advice and guidance to support the decision making of the Project Steering Group. Five representatives from the Implementation Reference Group from mainstream primary, secondary, special, FE and a parent/carers will also be asked to join the Project Steering Group. The first meeting of the Implementation Reference Group will be in March.
28. The high level implementation plan is shared below.



- Review of the national funding formula for allocations of high needs funding to local authorities: changes for 2022-23

29. On 10 February 2021 the DfE launched a [consultation](#) in response to specific proposals for a small number of changes to the national funding formula that is used to allocate high needs funding to local authorities in the 2022-23 financial year. The DfE are also seeking views on some of the longer term changes to the formula that could be considered in future.
30. In this consultation the DfE are asking for views specifically about the way that high needs funding is allocated through the national funding formula, rather than about the overall level of funding. Future consultations will cover further proposals

for changes to the formula and to the arrangements for the funding for SEND and AP.

31. The consultation focuses on the following:
 - a. how historic levels of local authority expenditure are used within the funding formula
 - b. attainment data used in the funding formula
 - c. effective proxies for SEND and AP in the formula

32. Questions about the expectation that mainstream schools meet the costs up to £6,000 of supporting a pupil with SEND from their core budget, the level of the £10,000 per place funding for special schools and the funding arrangements for young people with SEND in further education will be addressed as part of the DfE SEND review and in subsequent consultations.

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Appendix A

2020-2021 HIGH NEEDS BUDGET	Latest Budget £m	Forecast Outturn £m	Over/(Under) spend £m	Proposed Budget 2021/22 £m
Planned Places	30.7	30.7	0.0	32.0
Top Up Budgets	30.9	36.1	5.2	35.9
Staffordshire Special Schools and Academies	15.0	18.1	3.1	17.7
Staffordshire Mainstream Schools	11.4	13.5	2.1	13.1
Pupils in other LA Special & Mainstream Schools & Academies	1.7	2.1	0.4	2.1
Pupil Referral Units	2.8	2.4	(0.4)	3.0
Non Top Up Budgets	27.5	29.1	1.6	33.1
Independent Schools Mainstream	1.2	1.5	0.3	1.5
Independent Schools Special	14.0	16.9	2.9	16.7
Independent Hospital Fees	0.3	0.2	(0.1)	0.3
Early Years PVI's	0.1	0.0	(0.1)	0.1
Alternative provision (inc Hubs)	3.0	1.5	(1.5)	3.0
Education Other Than At School (EOTAS)	0.2	0.4	0.2	0.4
SEN Support Services	4.5	4.4	(0.1)	6.8
Post-16 FE Placements & Top-ups for ISPs	4.2	4.2	0.0	4.4
GRAND TOTAL	89.1	95.9	6.8	101.0
Funding	(89.1)	(89.4)	(0.3)	(101.0)
High Needs Allocation from Government	(89.1)	(89.4)	(0.3)	(101.0)
Transfers from other Blocks	0.0	0.0	0.0	0.0
NET FORECAST OUTTURN	(0.0)	6.5	6.5	(0.0)

F40 Survey: Accumulated High Needs Block Deficits 2017/18 – 2020/21 (estimate)

Appendix B

