

Schools Forum – 15th July 2021

High Needs Block update

Executive Summary:

- For Staffordshire the High Needs Block budget for 2021/22 is £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 has increased funding this year for all state funded special schools, on a like for like basis, by a minimum of 1.0%.
- The forecast outturn for the 2021/22 High Needs Block is £7.5m overspend.
- At the end of the last financial year the DSG reserve went into deficit by c £2m and will deepen given the expected overspend in 2021/22. A 'deficit recovery' was previously approved by Schools Forum earmarking surplus Growth Fund money to contribute to the DSG reserve; it was agreed this should be reviewed annually and, given the worsening situation, further action may be required.
- The transformation and implementation of the revised SEND operating model, supported by the new SEND strategy, is expected to provide a more sustainable model.

Recommendations:

That Schools Forum notes:

1. the High Needs Block budget 2021/22 and latest forecast outturn
2. the latest update on the development and roll out of a new Education Banding Toolkit

Report of Deputy Chief Executive and Director for Families and Communities

Background

3. 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 been reported regularly. Pressures on the High Needs block are on going due to the continued 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 independent placements and costs,
 - Increase in Matrix funding for special schools,
 - The funding of increased numbers of pupils out of education.

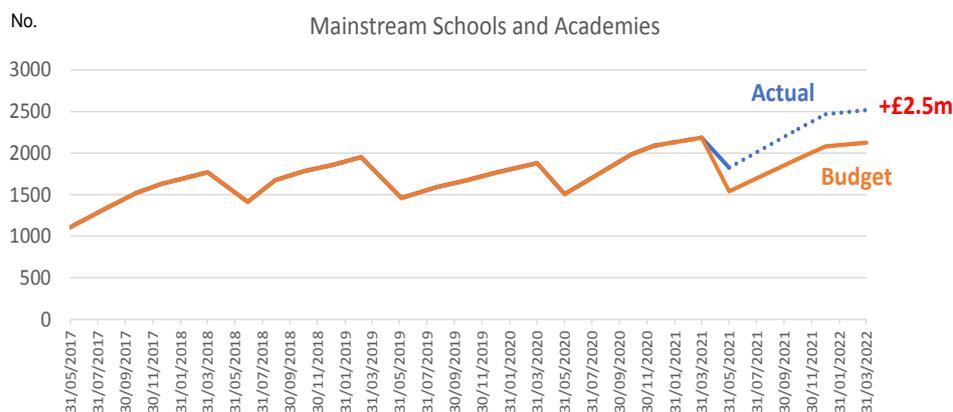
- Budget 2021/22 and Forecast

4. 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
5. 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.
6. Information received from f40 and CCN indicates that Government agree and intend to include a plan to tackle HNB deficits as part of the Comprehensive Spending Review due to take place in the Autumn.
7. For Staffordshire the High Needs budget 2021/22 is £101.0m; an increase of £11.6m compared with 2020/21 (13%). This increase has been passed on in full for the provision of SEND support; none of this funding increase will be used to repay historical deficits. Most significantly this has ensured for 2021-22 Special School budgets have been set to include:
 - a Minimum Funding Guarantee of 1.0% (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 1.0%.
 - no capping of school gains
8. 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 blocks, subject to the approval of Schools Forum. Staffordshire did not make a request this year of Schools Forum for the transfer 0.5% (equivalent to circa £3.0m) from the Schools Block to the High Needs Block.
9. Whilst the additional Government funding is recognised, rises will only keep pace with rises in cost and demand and are insufficient to close the gap. Last year was severely impacted by the development and resolution of the backlog in EHCP assessments and we are now only this year seeing the full year impact of those additional EHCPs – accordingly the forecast overspend this year is circa £7.5m (a more detailed overview of the High Needs Block budget is provided within Appendix 1):

High Needs Budget	Budget 21/22 £m	Outturn £m	Over / (Under) spend £m
Planned Places	32.0	32.0	0.0
Top Up Budgets	35.9	39.6	3.7
Non Top Up Budgets			
Independent Schools (Mainstream & Special)	18.2	23.5	5.3
Alternative provision (inc Hubs)	3.4	2.4	(1.0)
Post 16	4.4	4.0	(0.4)
Other	7.1	7.0	(0.1)
Total Net Spend	101.0	108.5	7.5
Total Funding	(101.0)	(101.0)	(0.0)
Net Outturn	0.0	7.5	7.5

10. Key variances arising

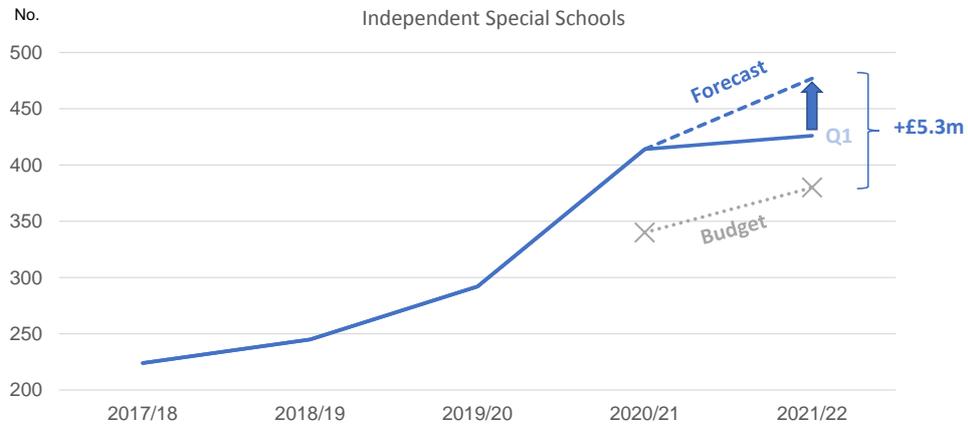
- i. An overspend of c £3.7m against the school 'top up' budgets including:
- a rise in the number of children with EHCP/AEN support in Mainstream Schools and Academies leading to a £2.5m overspend:



- An overspend of £1.8m in special schools and academies, arising as a result of both an increase in demand and a rise in the proportion of children with higher needs.

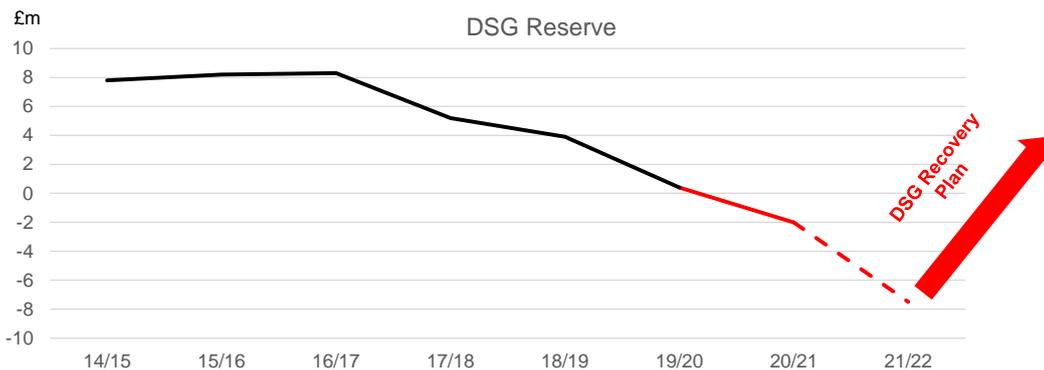
	2019/20			2020/21			2021/22		
	#	%	£m	#	%	£m	#	%	£m
Top Ups									
Matrix 1	664	30%	0.1	612	27%	0.1	600	26%	0.1
Matrix 2	790	36%	1.3	815	35%	1.3	813	35%	1.3
Matrix 3	758	34%	6.5	872	38%	7.4	911	39%	7.8
Matrix tbc			7.9			8.9	31		0.1
School Specific	2212		0.8	2299		1.6	2355		2.0
Additional Places			1.6			2.1			0.7
Enhancements			2.9			3.0			2.4
Exceptional Need			1.0			1.2			0.6
Residential			1.8			1.8			1.8
Adjustments (part time / backdated)			0.0			0.2			0.1
Allowance for more growth									3.0
Total Spend			16.0			18.8			20.0
Budget			14.3			15.5			18.2
Variance			1.7			3.3			1.8

ii. An overspend of c £5.3m in Independent Special Schools



- DSG Reserve and Recovery Plan

11. 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 2020/21 an overspend of £5.9m. Staffordshire County Council is not alone in this difficult financial predicament – this is a position shared by the majority of Councils across the sector (see Appendix 2).
12. As a result of the on-going overspend in the HNB, over the last few years the DSG reserve has been fully depleted and at the end of last year went into deficit by c £2m. Given the latest forecast overspend 2021/22 that deficit is likely to increase this year and going forward until such time that the SEND transformation plan can impact:



13. Schools Forum has previously agreed¹ a deficit recovery plan earmarking surplus Growth Fund money (after amounts have been used to fund NFF shortfalls and contributions to schools for in year growth²) for transfer to the Council’s DSG reserve. In 2021/22 this is estimated to be c £1.5m but given the worsening financial position outlined above further action is likely to be required.

¹ Schools Forum 15th October 2020

² In accordance with the Councils’ Growth Fund Policy

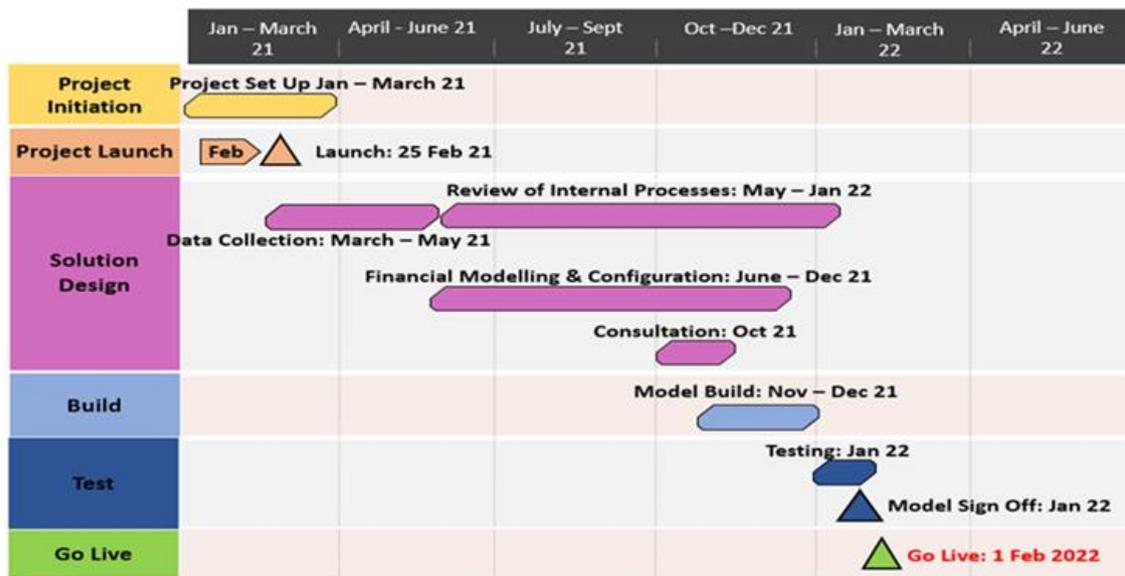
Other Updates

- High Needs Block Workshop

14. On 21 June 2021 the High Needs Block Workshop, involving members of the schools forum, convened to consider the key issues impacting on the High Needs Block and the future role of the work group.
15. Given the on ongoing SEND transformation / stabilisation plans and forthcoming roll out of the revised Education Banding Toolkit, it was agreed that going forward the group should continue to meet to consider, support and challenge the implementation of the DSG recovery plan.

- Education Banding Toolkit

16. Progress on the implementation of the Education Banding Tool has continued as per the agreed high level implementation plan (see below).



17. The SEND Assessment and Planning Team have successfully completed the Banding Tool assessment of the required 600 pilot pupils and finance have detailed the current HNB funding currently attributed to each pupil as this will form the basis of the financial modelling and band configuration stage within the implementation plan.
18. An Education Provider Survey was completed to support the Benefits Realisation Plan. This survey confirmed education providers views of the current mechanism of agreeing top-up funding for pupils with an EHCP and the survey will be repeated 12 months following implementation to evidence the primary aim of this tool which is to provide a fair, accurate and consistent method and evidence base when allocating funding for pupils with an EHCP.

75 anonymous responses; 18.5% overall response rate	Strongly Disagree/Disagree
Fair and Equitable	53.3%
Transparent	60.0%
Consistent	65.3%
Communicated clearly	60.0%
Funding level allocated sufficient to meet need	74.7%
Decision made promptly	69.3%

19. Key risks and issues have been identified and shared with project members and all notes and slides from the Reference and Steering Group meetings are published on the [Local Offer](#). A phased implementation approach has been agreed to be implemented from the go live date of 1st February 2022. We are now in the next stage of the project which will incorporate a review and update of the internal processes required to implement the tool with the SEND Assessment Team and the financial modelling and configuration stage where in we will consider how the Tool will work for Staffordshire and the values we place on each band level. This will be done in partnership with the members of the Reference Group and will form part of the wider consultation with all our education providers in the autumn term.

Report author:

Tim Moss, Assistant Director for Education Strategy and Improvement

tim.moss@staffordshire.gov.uk

01785 277963

Number 1, Staffordshire Place

Anthony Humphreys, Strategic Finance Business Partner

anthony.humphreys@staffordshire.gov.uk

01785 278219

Number 1, Staffordshire Place

Appendix 1 – Forecast Outturn 2021/22 (as at Quarter 1)

2021-2022 HIGH NEEDS BUDGET (as at Quarter 1)	Latest Budget	Forecast Outturn	Over/(Under) spend
	£m	£m	£m
Planned Places	32.0	32.0	0.0
Top Up Budgets	35.9	39.6	3.7
Staffordshire Special Schools and Academies	17.7	19.5	1.8
Staffordshire Mainstream Schools	13.1	15.6	2.5
Pupils in other LA Special & Mainstream Schools & Academies	2.1	2.0	(0.1)
Pupil Referral Units	3.0	2.5	(0.5)
Non Top Up Budgets	33.1	36.9	3.8
Independent Schools Mainstream	1.5	1.5	0.0
Independent Schools Special	16.7	22.0	5.3
Independent Hospital Fees	0.3	0.3	0.0
Early Years PVIs	0.1	0.1	0.0
Alternative provision (inc Hubs)	3.0	2.0	(1.0)
Education Other Than At School (EOTAS)	0.4	0.4	0.0
SEN Support Services	6.8	6.6	(0.2)
Post-16 FE Placements & Top-ups for ISPs	4.4	4.0	(0.4)
GRAND TOTAL	101.0	108.5	7.5
Funding	(101.0)	(101.0)	(0.0)
High Needs Allocation from Government	(101.0)	(101.0)	(0.0)
Transfers from other Blocks	0.0	0.0	0.0
NET FORECAST OUTTURN	(0.0)	7.5	7.5

Appendix 2: Accumulated High Needs Block Deficits 2017/18 – 2020/21 (estimate) (F40 Survey)

