

SCHOOLS FORUM

Meeting date: 29th October 2019

**From: Daniel Barton
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HIGH NEEDS BLOCK DEFICIT RECOVERY PLAN - UPDATE

1.0 EXECUTIVE SUMMARY

1.1 This paper provides an update on the High Needs (HN) block recovery plan, the funding settlement for 2020-21 and the proposed course of action to be taken to address the DSG deficit, as reported to the Schools Forum HN Working Group on 18th September 2019.

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

2.1 The utilisation of the HN block within the Dedicated Schools Grant is supportive of the Council Plan outcome that 'People in Cumbria are healthy and safe'.

3.0 RECOMMENDATION

3.1 The Schools Forum is recommended to note the contents of this paper and support the proposed course of action to address the DSG deficit.

4.0 BACKGROUND

4.1 The Department for Education (DfE) requires a report from all local authorities with a cumulative Dedicated Schools Grant (DSG) deficit of 1% or more as at 31st March 2019 setting out its plans to bring the DSG reserves back in balance within a maximum of three years. As the 2018-19 outturn position was a cumulative deficit of 1.08% against the total DSG allocations Cumbria was required to submit a report to the DfE by 30th June 2019.

4.2 The main pressure on the DSG reserves relates to the deficit on the HN Block which stands at £5.533m as at 31st March 2019. A paper was presented to Schools Form on 20th June 2019 detailing the progress towards the HN Block deficit recovery plan for the period 2019-20 to 2021-22.

4.3 The HN deficit recovery plan showed that £3.937m of savings had been identified over the three year period from 2019-20 to 2021-22, however, in order to bring the DSG deficit back into balance within the three year

timeframe, as stipulated by the DfE, the plan projected that £17.603m additional savings would be required:

	2019-20	2020-21	2021-22	Total
	£	£	£	£
Projected HN Block in-year pressure	5.716m	7.412m	8.411m	21.539m
Total Savings	(1.658)	(0.809m)	(1.470m)	(3.937m)
Projected HN Block in-year pressure after savings applied	4.058m	6.604m	6.941m	17.603m

- 4.4 Further invest to save initiatives relating to alternative provision arrangements in schools are being worked up and if they can demonstrate a saving against the HN block once quantified they will be built into the HN deficit recovery plan. However, further measures are required to bring in-year spending in line with in-year resources within three years and the Schools Forum were asked to consider and support two proposals: the ending of the Targeted SEN funding saving £0.993m per year from 2020-21 and the transfer of 0.5% or up to 0.75% from the Schools Block into HN Block estimated at £1.427m or £2.141m respectively in 2020-21 and 2021-22. The impact analysis of these measures were provided at the meeting.

5.0 **UPDATE**

- 5.1 Following the last Schools Forum meeting on 20th June, the DSG Deficit Recovery plan as presented at that meeting was finalised and submitted to the DfE for review. The return reported that it was not possible to balance the DSG budget within the required three year period and that, based on the current funding levels and projected numbers of pupils with EHCPs, despite the measures taken to date to reduce expenditure the deficit would continue to increase as the below table summarises:

	2019-20	2020-21	2021-22
	£	£	£
Projected HN Block in-year pressure after savings applied	4.058m	6.604m	6.941m
DSG Deficit Brought Forward	3.841m	7.899m	14.503m
Projected DSG balance	7.899m	14.503m	21.444m

- 5.2 The plan submitted to the DfE did not include the two further measures to address the HN Block deficit (ending of Targeted SEN funding and transfers of up to 0.75% from the Schools Block) as these proposals are subject to consultation with schools and Schools Forum. However, the DfE were made aware that local authority was considering these proposals.
- 5.3 A supporting narrative accompanied the return which explained in detail the reasons for the DSG deficit including the growth in the number of EHCPs and the demand for specialist places following the SEND reforms and the specific local factors that have contributed to deficit including the relatively high number of pupils with SEND being educated in the mainstream sector and lack of specialist in-house provision and the need to fall back on the independent sector which, due to operating within a market that is not competitive due to the sparsity and size of the county, comes at a high cost. Cumbria is further disadvantaged by the high cost of SEND transport due to

the size, rurality and sparsity of the county which has a negative impact Council's budget. The narrative was accompanied by detailed supporting evidence with a strong emphasis that the funding available through the High Needs Block was insufficient to meet demand.

- 5.4 As at time of writing this paper, the DfE have acknowledged receipt of the DSG deficit recovery plan and we had anticipated feedback by the end of September 2019. However, subsequent to this, the DfE advised comments and feedback will be delayed until after the funding arrangements for 2020-21 have been released which were expected early October.
- 5.5 On 4th September the Chancellor announced a £14bn schools funding boost package across three years from 2020-21 to 2022-23 which includes additional funding of £700m in 2020-21 only compared to 2019-20 for special educational needs nationally. Further details were released on 11th October and the formula for allocating High Needs Block funding to local authorities is largely unchanged from 2019-20 except that the formula ensures that every local authority will receive an increase of at least 8% and up to 17% per head of 2 to 18 year old population through the funding floor and the baseline funding for 2019-20 has been updated to include the additional £0.969m HN funding announced December 2018.
- 5.6 Included in the High Needs Block funding formula is an 8% funding increase for Hospital Education which is set to rise from £0.811m in 2019-20 to £0.876m for 2020-21. Currently, the local authority commissions hospital and home tuition services through the 3 PRUs and the majority of hospital education funding is devolved to the PRUs with a small element being retained for centrally funded hospital education tuition of £0.101m. It is intended that the increase in hospital education funding of £0.056m is passed on to the PRUs in support of the service that they provide.
- 5.7 The provisional HN block allocation for Cumbria is £47.863m, a rise of £4.784m (11.1%) compared to the 2019-20 funding level of £43.080m. It should be noted that these figures are before deductions for direct funding of HN places by the ESFA which amounted to £3.892m in 2019-20. The final High Needs Block funding will be confirmed in December 2019 when the data used to calculate the funding is updated to reflect the October 2019 school census.
- 5.8 However, despite the additional funding of £4.784m which is for one year only there will still remain a significant pressure on the HN block budget and the additional funding will not address the cumulative deficit on the DSG which although projected to be £7.899m at the end of 2019-20 in the High Needs Recovery Plan is predicted to increase to £8.665m as at Q1 budget monitoring.
- 5.9 As shown in the table at para 5.1 the projected in-year deficit on the HN block for 2020-21 is £6.604m as per the High Needs Recovery Plan. Even with the additional funding estimated at £4.784m there will still be an estimated in-year shortfall of £1.820m. Therefore, in order to continue to work towards recovering the DSG deficit as required by the DfE it is still necessary to continue to progress the measures put to Schools Forum at the last meeting and consult all schools on the proposals to withdraw the Targeted SEN funding and to transfer funding from the Schools Block. Previously, the local authority proposed a transfer of 0.5% or up to 0.75%, however, following feedback from north west group local authority

colleagues and following the announcement of the additional High Needs funding for 2020-21 we have been advised that transfers above 0.5%, which require Secretary of State approval, are likely only to be approved by exception. Therefore modelling of proposals for transfer of 0.5% and 0.39% has been undertaken.

5.10 At its meeting of 18th September 2019 the Schools Forum BWG were be asked to consider the proposed basis for modelling the impact of these proposals on 2020-21 individual school budget shares and the format of the schools consultation. At this point, the full details of the funding arrangements for 2020-21 had not been released, therefore, the group were asked in principle to support the proposal.

5.11 Subsequent to the Schools Forum BWG the modelling of the proposals has now been completed and the draft schools funding consultation has been prepared and is presented separately in the Schools Funding Formula 2020-21 paper.

6.0 OPTIONS

6.1 The Schools Forum is recommended to note the contents of this paper and support the proposed course of action to be taken to address the DSG deficit.

7.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

7.1 The Dedicated Schools Grant central reserve closed the 2018-19 financial year with a deficit of £3.841m, comprising of a deficit against the HN block of £5.533m and a surplus against other DSG of (£1.692m). The HN recovery plan predicts that the deficit on the HN Block will increase to £9.591m and this, taking into consideration the predicted surplus on the other DSG budgets, will increase the projected overall DSG deficit to £7.899m.

7.2 The options to end the Targeted SEN funding and transfer up to 0.5% of Schools Block budget shares will help to address the deficit on the DSG as required by DfE.

8.0 CONCLUSION

8.1 The Schools Forum is asked to note this report which provides an update on the HN Block deficit recovery plan and the proposed course of action to be taken to address the DSG deficit.

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