

SCHOOLS FORUM

Meeting date: 3rd July 2020

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HIGH NEEDS BLOCK OUTTURN 2019-20 AND RECOVERY PLAN 2020-21

1.0 EXECUTIVE SUMMARY

- 1.1 *This paper presents the outturn position on the High Needs (HN) block budget which overspend by £5.488m resulting in an increased HN block deficit of £11.022m as at 31st March 2020.*
- 1.2 *It also reports on how the outturn compares to the HN recovery plan as presented to Schools Forum at its meeting on 17th January 2020 and provides an update on the additional HN funding of £0.969m allocated to the Invest to Save initiatives budget.*

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 the 2019-20 outturn position on the HN Block budget, the use of the Invest to Save budget and the progress against the High Needs Recovery Plan.*

4.0 BACKGROUND

- 4.1 As previously reported to Schools Forum at its meeting on 20th June 2019, a balanced High Needs budget was set for 2019-20 with no planned transfer to reserves. The original budget available for HN was £39.912m and this comprised of £39.357m HN Block allocation from central government as confirmed in December 2018 and £0.555m transferred in from the Schools Block.

- 4.2 Although a balanced budget was set for 2019-20 there continues to be specific budget pressure relating to the growth in demand for Education Health Care Plans (EHCPs).
- 4.3 A new deficit recovery plan was drawn up and shared with Schools Forum on 20th June 2019 ahead of submission to the DfE on 30th June 2019. This plan, despite a number of Invest to Save initiatives, predicted that the deficit on the HN block would increase to £9.591m by the end of financial year 2019-20 and continue to rise to £23.136m by 2021-22.
- 4.4 As agreed by Schools Forum at its meeting in January 2019, the additional HN funding of £0.969m received in 2018-19 and 2019-20 from central government and the £0.555m transfer from Schools Block in 2019-20 has been earmarked specifically for Invest to Save initiatives to manage the rising demand on SEND services whilst at the same time achieving savings to manage down the HN deficit.
- 4.5 At the School Forum meeting held on 17th January 2020 the quarter 2 budget monitoring report predicted that the High Needs Deficit would increase by £5.237m to £10.771m and compared to the HN Recovery plan submitted to the DfE in June 2020 this showed that the predicted outturn was £1.180m below the targeted deficit of £9.591m.

5.0 **BUDGET REVISIONS**

- 5.1 Since the quarter 2 report there have been no further adjustments to the HN Block funding. The table below shows the revised HN block budget as at 31st March 2020:

	£
Initial HN Block Funding (as per DfE notification December 2018)	39.357m
Transfer in from Schools Block	0.555m
Total HN Budget as at 1st April 2019	39.912m
Academy Recoupment adjustment for HN places	-0.055m
Import/Export Adjustment for HN pupils	-0.114m
Revised HN Block Budget as at 31st March 2020	39.743m

- 5.2 Although the budget is unchanged at £39,743m, there has been one transfer of budget from Invest to Save to Special Schools of £0.076m since the quarter 2 report to fund 13 additional places at Sandgate Special School with effect from September 2019.

6.0 **OUTTURN**

- 6.1 Performance against the High Needs Block budget is monitored on a monthly basis with reports presented to senior management each month,

and to Cabinet on a quarterly basis, as well as to each Schools Forum meeting.

- 6.2 Appendix 1 presents the actual outturn against the budget. This shows that there was an overspend of £5.488m as at 31st March 2020 increasing the HN Deficit to £11.022m as the below table demonstrates:

	£
HN Block Deficit Brought Forward from 2018-19	5.533m
Actual 2019-20 in-year overspend	5.488m
Actual HN Block Deficit as at 31 st March 2020	11.022m

In-year Under and Overspends

- 6.3 In terms of the pressure against the budget of £5.488m in 2019-20, the key variances were :

- EHCP top-ups for pupils in mainstream schools and Early Years Providers £2.180m
- Specialist Independent Day & Other Placements £2.238m
- Specialist Residential Placements £0.850m
- Post-16 EHCP top-ups and independent specialist placements £0.365m
- High Needs Invest to Save Initiatives (£0.199m)
- Other individually non-material variances £0.054m.

High Needs Recovery Plan

- 6.4 Appendix 2 presents the actual outturn against the High Needs Recovery Plan as at 31st March 2020. This shows that the plan was £1.430m above its target deficit of £9.591m resulting in an outturn of £11.022m at 31st March 2020. The key variances are:

- Reduction in HN Block grant funding of £0.169m as previously reported in the quarter 2 report and as shown in the table at para 5.1 above.
- Residential Placements £0.913m. Although the overall number of placements has not increased there has been a re-allocation of costs between Education and Social Care budgets which has resulted in an increased pressure compared to the pressure reported at quarter 2 of £0.134m.
- EHCPs £0.521m. The overall number of pupils with ECHPs has risen from 3,278 in April 2019 to 3,622 as at March 2020, a rise of 344. The actual number of EHCPs in schools and the average value of ECHPs was higher than predicted in the original High Needs Recovery plan.
- Alternative Provision Programme North and South £0.494m. This relates to staffing costs associated with the setting up of the new AP centres. This expenditure has been funded from the Invest to Save budget and although there is an additional pressure in 2019-20 savings are expected to be achieved from 2025-26.

- Independent Day Placements £0.247m. Comprising £0.475m against Independent Day Placements offset by savings of (£0.228m) due to a further expansion of places at Sandgate Special School which was not in the original recovery plan.
- Extra District, Out of County Placements and Education Otherwise (£0.324m). This mainly relates to a reduction in the actual numbers of numbers of pupils placed in other authorities and centrally funded alternative education provision such as home tuition compared to the forecast in the HN recovery plan.
- Other non-material variances totalling net underspend of (£0.590m).

Invest to Save Initiatives

- 6.5 The Invest to Save Initiatives budget totalled £1.524m for 2019-20. Savings of £1.150m as detailed at Appendix 3 have been achieved.
- 6.6 This includes the funding of additional places in special schools (Sandgate 20, Mayfield 20 and Sandside Lodge 12) and bespoke packages for individual pupils. As previously advised in the quarter 2 report the staffing costs associated with the opening of the two new AP centres in the North and South and the Early Intervention outreach model being piloted by Sandgate School do not achieve savings in 2019-20, these savings are not realised until future years and have been factored into the HN recovery plan.
- 6.7 In total across the 2 years the budget allocated to Invest to Save Initiatives is £2.493m which comprises £0.969m received in 2018-19 and a further £0.969m in 2019-20 together with £0.555m transferred into HN Block from Schools Block as agreed by Schools Forum at its meeting on 16th January 2019. Total expenditure against this budget across the two years as at 31st March 2020 is £1.658m and total savings achieved are £1.612m. The balance remaining against the Invest to Save Initiatives budget of £0.835m has transferred to the DSG reserves and is earmarked to continue to support the development of invest to save initiatives in 2020-21.

7.0 HIGH NEEDS RECOVERY PLAN 2020-21 AND BEYOND

- 7.1 There have been some changes to the DSG conditions of grant following new statutory provisions in the Schools and Early Years Finance (England) Regulations 2020 that impact on the treatment of DSG overspends with effect from the end of 2019-20 financial year. A local authority with a DSG deficit from the previous year must either carry the whole deficit forward to the next financial year to be deducted from the money available for that financial year, or carry part of the deficit forward and the remainder into the following financial year or carry all of it over into the following financial year.
- 7.2 Effectively, this means that there is a statutory requirement that a deficit on the DSG must be carried forward to be dealt with from future DSG income.
- 7.3 From 2020-21 there is no longer a requirement for all local authorities to submit a DSG recovery plan where their cumulative deficit on the DSG is 1% or more at the end of 31st March 2020. However, any local authority that has an overall deficit on its DSG account at the end of the 2019-20 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the DfE and provide information as an when requested

about its plans for managing its DSG account in 2020-21 financial year and subsequent years.

- 7.4 The implications of the changes in legislation means that the overall overspend against the DSG central budgets in 2019-20 of £3.114m (comprising £5.488m overspend against the HN Block and £2.374m underspend against other DSG budgets) must be carried forward and deducted from the DSG budget available in 2020-21 or 2021-22.
- 7.5 The DSG central budgets for 2020-21 was agreed by Schools Forum on 17th January 2020 on the basis that the full overspend against the DSG in 219-20 would be carried forward to 2021-22. The new requirement to deduct the 2019-20 overspend from the DSG income available in 2021-22 year will have significant implications on the HN recovery plan which, as previously reported to Schools Forum, despite the additional HN funding made available in 2020-21 and the invest to save initiatives achieved to date there is still a significant gap between the funding available and the forecast spend from 2020-21 onwards.
- 7.6 Since the submission of the DSG deficit recovery plan to the DfE last June, the HN recovery plan has been updated to reflect the final outturn for 2019-20, updated HN Block funding for 2020-21 and revised forecast expenditure based on known trends and impact of savings from the invest to save initiatives. The below table shows a summary comparison between the current updated HN recovery plan for years 2020-21 and 2021-22 line (f) and the original plan submitted to the DfE line (g):

		2020-21	2021-22
		£	£
HN Block Budget	(a)	45.894m	44.411m
Projected HN Block expenditure	(b)	52.041m	54.044m
Projected Savings	(c)	(1.901)	(2.679m)
Projected HN Block in-year pressure after savings applied	(d) (a – b + c)	4.246m	6.954m
HN Deficit Brought Forward	(e)	11.022m	15.268m
HN Deficit Carry Forward	(f) (d + e)	15.268m	22.222m
HN Deficit Carry Forward per Original HN Recovery Plan as submitted to DfE	(g)	16.195m	23.137m
Variance	(h) (f – g)	(0.927m)	(0.915m)

- 7.7 The HN recovery plan is a work in progress and it is expected that COVID19 school closures and lockdown will also have an impact on the number of children requiring SEN support and consequently create an additional pressure on the HN budget although at this stage it cannot be quantified. It is also expected that the DfE will announce details of the DSG budget for 2021-22 including the split of funding available between the blocks sometime in July. Once the provisional DSG allocations have been published the HN recovery plan will be reviewed and an updated more detailed plan will be presented for discussion at the next HN Working Group meeting scheduled for 21st September.

8.0 OPTIONS

8.1 The Schools Forum is recommended to note the contents of this paper and the outturn position on the HN Block budget resulting in a carry forward deficit as at 31st March 2020 of £11.022m and the ongoing work to develop the HN recovery plan.

9.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

9.1 Resource and value for money implications are considered throughout this report.

10.0 CONCLUSION

10.1 The Schools Forum is asked to note this report which sets out the outturn against the HN budget which overspent by £5.488m in 2019-20.

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26th June 2020

Accompanying Documents:

Appendix 1 – High Needs Budget Outturn 2019-20

Appendix 2 – High Needs Recovery Plan 2019-20

Appendix 3 – Invest to Save Initiatives Outturn 2019-20

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