

SCHOOLS FORUM

Meeting date: 13th January 2021

**From: Daniel Barton
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HIGH NEEDS BLOCK – BUDGET MONITORING AS AT QUARTER 2 2020-21

1.0 EXECUTIVE SUMMARY

- 1.1 *This paper provides an update on the forecast deficit on the High Needs (HN) block as at 30th September 2020 which is forecast to rise to £15.131m an increase of £4.109m compared to the closing deficit at the end of financial year 2019-20 of £11.022m.*

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 are recommended to note the contents of this paper and the current projection as at 30th September 2020.*

4.0 BACKGROUND

- 4.1 A balanced High Needs budget has been set for 2020-21 with no planned transfer to reserves. As reported to Schools Forum at its meeting held on 17th January 2020 the original budget available for the HN Block was £45.894m and this comprised of £44.383m HN Block allocation from central government as confirmed in December 2019 and £1.511m transferred in from the Schools Block.
- 4.2 As at Q1 the projected High Needs Block in-year pressure was reported as £4.169m.

5.0 BUDGET REVISIONS

- 5.1 Since the initial budget was set for 2020-21 the funding available through the HN Block from central government has increased by £0.121m to take into account updated DfE recoupment deductions for pre and post-16 HN places in academies, further education colleges and the free special school, and updated import/export adjustment for pupils with HN who lie outside the local authority attending schools in Cumbria (imports) and those who lie in Cumbria but attend schools outside of this local authority (exports). The table below shows the revised HN block budget as at 30th September 2020-21:

	2020-21
	£m
High Needs allocation before recoupment for place funding in academies and FE institutions	48.339
Less recoupment for high needs places in academies and FE institutions	(3.956)
Transfer from Schools Block	1.511
Initial Budget	45.894
DfE Recoupment adjustment for HN places	0.076
Import/Export Adjustment for HN pupils	0.045
Total High Needs Budget	46.015

6.0 PROJECTED 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 projection against the budget as at Q2. This shows that the budget is projected to overspend by £4.109m at 31st March 2021 with a projected deficit of £15.131m as the below table demonstrates:

	£
HN Block Deficit Brought Forward from 2019-20	11.022m
Project overspend as at Q1	4.109m
Projected HN Block Deficit as at 31 st March 2021	15.131m

- 6.3 The projections represent a net decrease in pressure of (£0.060m) compared to Q1 and are based on all known costs and built in projected costs for the period October 2020 to March 2021.

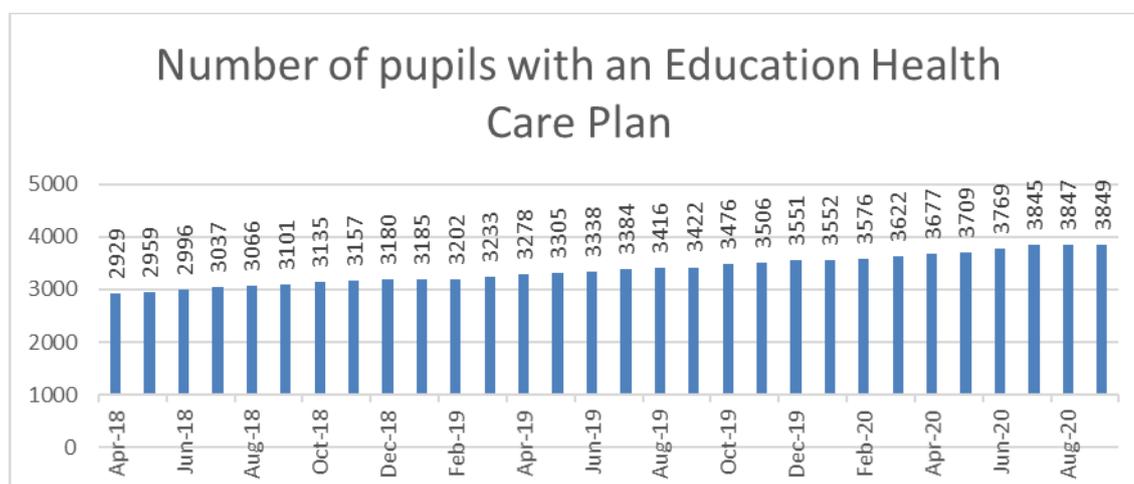
In-year Under and Overspends

6.4 In terms of the pressure against the budget of £4.109m in 2020-21, the key variances are:

- EHCP top-ups for pupils in mainstream schools and Early Years Providers £1.590m. This represents an increase of £0.078m compared to the forecast at Q1. The forecast is based on current EHCP costs and predicted number of new and amended EHCPs in-year.
- Specialist Independent Day & Other Placements £1.381m. This represents an increase of £0.160m compared to the forecast at Q1. The overall number of independent placements has reduced by 5 compared to Q1 at 106. There have been 4 new and 9 ended placements the impact of which was already included in the Q1 forecast representing movement of £0.011m and one provider has increased fees £0.030m with effect September 2020. The Education Otherwise numbers have reduced by 34 to 63 and reflects July 2020 leavers the impact of which was already included in the Q1 forecast and 4 new placements representing an overall increase of £0.052m compared to the Q1 forecast. There has also been a net decrease of 1 Extra District placement reducing the total number of placements to 30 and revised forecasts across placements representing an increase of £0.072m. The remaining movement relates to clawbacks from mainstream schools for pupils transferring to independent specialist provision (£0.005m).
- Post-16 EHCP top-ups and independent specialist placements £0.586m. This represents a decrease of (£0.090m) compared to the forecast at Q1. The forecast which is based on the current number of pupils in independent placements and colleges receiving support and estimated new starters from September 2020 has reduced by (£0.017m). The provision for additional expenditure relating to COVID19 has reduced by (£0.028m) to £0.071m due to the funding being available to FE Colleges for supported internships instead of extending additional terms. The remaining movement relates to an increase of DSG following an update to the grant to reflect the import/export adjustment for HN places between authorities (£0.045m).
- Residential Placements £0.250m. This represents a decrease of (£0.092m) compared to the Q1 forecast. The overall number of residential placements has remained at the same level as March 2020 at 57. The forecast across various placements has been reviewed based on known costs to date (£0.055m), one provider has increased fees with effect from September 2020 £0.022m and this is offset by an increase in income from Health of (£0.059m).
- High Needs Invest to Save Initiatives £0.209m. This is unchanged compared to Q1. As agreed by Schools Forum this pressure will be funded from the additional HN funding balance held in the DSG Central reserves.
- The remaining balance relates to individually non-material variances £0.093m representing a reduction of (£0.116m) compared to Q1.

Invest to Save Initiatives

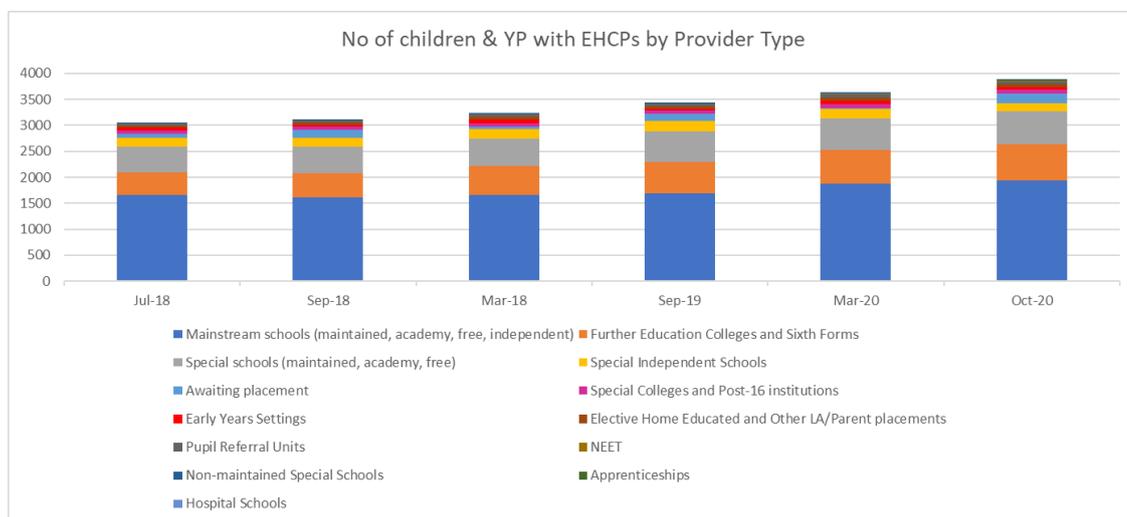
- 6.5 The forecast against the Invest to Save Initiatives budget is unchanged from Q1. The earmarked reserve held within the DSG reserves is £0.835m. This comprises of underspends carried forward from 2018-19 and 2019-20 of £0.636m and £0.199m respectively. To date £1.867m expenditure is forecast to be committed in 2020-21 and this includes the Sandgate Early Intervention Programme and Greengate Junior Alternative Provision in Schools totalling £0.209m (as shown in the budget monitoring at Q2 against the HN Invest to Save budget) and the continuation of other invest to save initiatives agreed in 2018-19 and 2019-20 totalling £1.658m, the spend of which is included in the Q2 forecast expenditure against the relevant budget lines (Special Schools, PRUs and HN top-ups). The projected forecast expenditure of £1.867m in 2020-21 will be funded from the Invest to Save reserves of £0.835m and £1.032m from the additional HN block funding made available in 2020-21.
- 6.6 Appendix 2 to this paper shows that the total budget allocated to Invest to Save Initiatives was £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 forecast expenditure against this budget as at Q2 is £3.525m and total savings achieved are £3.173m comprising of £0.463m in 2018-19, £1.150m in 2019-20 and projected saving of £1.561m in 2020-21.
- 6.7 The forecast expenditure as at Q2 exceeds the savings achieved to the same period by £0.352m. As previously reported, the anticipated savings for the some of the invest to save initiatives are not immediate but are expected to have an impact in future years. For example, the Sandgate early intervention project and the 2 new AP centres in the North and South of the County are expected to increase the number of children that are able to remain in mainstream education and reduce the number of pupils being permanently excluded resulting in a reduction in the use of high cost independent sector placements and other alternative education arrangements.
- 6.8 The number of children with EHCPs has risen continuously month on month for some time now and reached 3,849 as at Q2. Between the period April 2018 and September 2020 numbers have increased by a total of 920 which represents an increase of 31%, as follows:



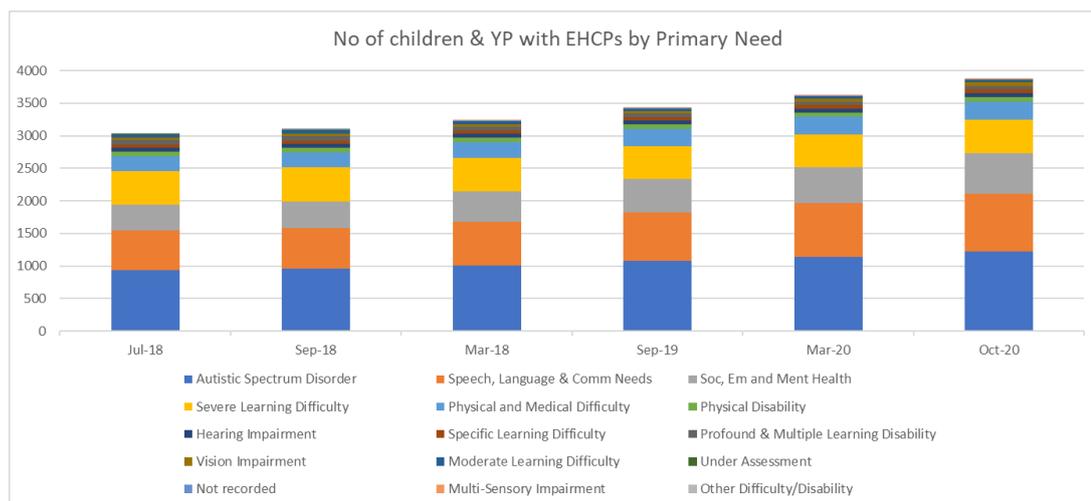
6.9 As previously reported, the 2 to 18 year old population has remained relatively static over the last 4 years however the HN benchmarking data shows that the proportion of children and young people with EHCPs as a percentage of 2 to 18 year old population increased in 2019-20 to 3.6% compared to 2.7% in 2016-17 as the table below shows:

Year	2 to 18 year old population	% 2-18 years olds with EHCPs
2019-20	88,066	3.6
2018-19	88,163	3.24
2017-18	88,297	3.1
2016-17	88,662	2.7

6.10 Whilst the number of children and young people with EHCPs has risen significantly the distribution across provider types has remained relatively unchanged with the majority (70% as at March 2020) being educated in mainstream schools and colleges as the below chart demonstrates:



6.11 As shown below as at October 2020 the majority of children and young people with an EHCP have Autism (31%), Speech, Language and Communication (SLC) (23%) and Social, Emotional and Mental Health (SEMH) (16%) recorded as their primary need. Proportionately, Autism has not increased whilst SLC and SEMH have increased by 3% and Severe Learning Difficulties which represents 13% of the total has reduced by 4% over the same time period:



It is also still remains the case that a significant proportion of the HN Block funding from central government is based on historic spend using 2017-18 planned HN Block expenditure as a baseline. For 2020-21, 40% of the total allocation is allocated through the historic spend factor meaning that the formula used to calculate the HN Block funding for 202021 does not fully recognise the continued growth in demand for specialist places that has been experienced not just in Cumbria but on a national level. Nor does it adequately recognise the significant additional investment required to increase the in-house capacity for specialist places resulting in pupils being placed in expensive independent settings. In recognition of this, the DfE have provided additional HN funding in 2019-20 and 2020-21, however, it still does not recognise the year on year growth in demand for SEND services which first started following the Children and Families Act 2014 SEND reforms. It is also expected that the impact of school closures and lockdown due to COVID19 will result in a spike in the number of pupils requiring additional SEND support when returning to school.

6.0 OPTIONS

- 6.1 The Schools Forum is recommended to note the contents of this paper and the current projection for the High Needs Recovery Plan.

7.0 RESOURCE AND VALUE FOR MONEY IMPLICATIONS

- 7.1 Resource and value for money implications are considered throughout this paper. The Dedicated Schools Grant central reserve closed the 2019-20 financial year with a deficit of £6.991m, comprising of a deficit against the HN block of £11.022m and a surplus against other DSG of (£4.031m). Based on the projections for 2020-21 found at Appendix 1 there is significant budget pressure in 2020-21 with the projected in year overspend on the HN Block predicted to be £4.109m. However, this overspend is offset by a predicted underspend against other DSG budgets of (£0.153m) giving an overall projected DSG balance to carry forward as at 31st March 2021 of £10.947m.

7.2 In 2020-21 the DSG conditions of grant requires any local authority with an overall deficit on its DSG account at the end of the 2019-20 financial year to co-operate with the DfE and provide information when requested by the DfE on its plans for managing the DSG account.

8.0 CONCLUSION

8.1 The Schools Forum is asked to note this report which sets out the projected outturn as at Q2 against the HN budget which is predicted to overspend by £4.109m.

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7th January 2021

Accompanying Documents:

Appendix 1 – High Needs Budget 2020-21 Q2

Appendix 2 – Invest to Save Initiatives Q2

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