

DEDICATED SCHOOLS BUDGET – HIGH NEEDS BLOCK UPDATE 2019-20

Purpose of the Report

1. To update schools forum on issues related to the high needs block for 2019-20 and the decisions that will need to be made as part of the budget setting process for 2019-20.

Main Considerations

2. As outlined in the paper on the funding settlement for 2019-20 the high needs block allocation for Wiltshire in 2019-20 is £47.092 million. The high needs block has been calculated according to the new national funding formula for high needs. As previously reported to schools forum, Wiltshire is on the funding floor for the high needs NFF and therefore has received the minimum increase.
3. In terms of decision making for the high needs block the guidance on schools forum powers and responsibilities states that all central spend on high needs block provision is decided by the local authority. This would include decisions on top up values. Because of the interdependencies of decisions across all of the funding blocks, decisions on high needs are being presented alongside those that schools forum is required to make on all of the other blocks.

Projected Demand on High Needs Block

4. An initial estimate of pressures on the high needs block for 2019-20 is summarised in the following table:

	£m
High Needs Block Allocation 2018-19	45.007
Additional Pressure to meet current Spend levels (based on December 2018 forecast overspend over and above additional HNB funding announcement)	3.331
Tbc – Early Years Inclusion Funding withdrawal of funding	(0.357)
Estimated Demography & Contract Inflation (NPA, ISS, ISP and FE places)	0.982
Increased Special School & Resource Base Planned Places 2019/20 (<i>not funded from the growth fund</i>)*	0.630
Development Fund	0.000
Estimated demand on high needs block 2019-20	49.593
High needs allocation 19/20	47,092
Add: Central Block transfer to HNB*	0.334
Add: Surplus Growth Fund 19/20 to HNB	1.000
Add: Schools Funding transfer to HNB } <i>total 0.8%**</i>	1.200
Total available	49.626
Estimated Surplus/(Shortfall) 2019-20	0.033

* *Extra High Needs Places – 10 in mainstream schools, 56 in special schools, including 32 at Springfields (south), 16 at Downlands and 8 at Rowdeford*

In the January 2018 report a shortfall of £1.6 million was recognised but not addressed. It is therefore imperative that this is now addressed.

5. This estimate includes the following assumptions:
 - a. Top up levels and Named Pupil Allowances remain unchanged from 2018-19 levels.
 - b. Demand for placements in independent special schools (ISS) and independent specialist providers (ISPs) Named Pupil Allowances (NPAs) and top ups is based on SEN planning demography of 3%.
 - c. Contract inflation is added to Independent Special School Fees as per the framework agreements in place of 2.97%.
 - d. Numbers of places for special schools, resource bases and enhanced learning provision (ELP) increase following the place number review.
 - e. That the split of funding for the early years inclusion support fund is removed and is fully funded from the early years block
 - f. There are no ringfenced allocations for developments in 2019-20. Any developments would need to be managed from existing resources.
 - g. That there is a transfer as follows
 - i. Central Block to High Needs Block*
 - ii. Schools Funding to High Needs Block of 0.8%**
 - h. The local authority makes a one-off contribution to Schools Funding of £1.3 million assuming the transfer in (f) above is approved. The Director of Finance will recommend this to Members in the next budget monitoring report. This can be used to reduce the DSG deficit balance and remove the requirement to make good this deficit as the first call on the 19/20 allocation.
6. In order to balance the budget a number of options will need to be considered. Some potential options are highlighted in the following paragraphs.
7. **High Needs Block Working Group Actions** – as described in the December 2018 update and on-going work as per verbal update elsewhere on the agenda.
8. **Top Up Values** – the biggest area of spend within the high needs block is expenditure on top up values. Top up values are assumed to increase by 3% demography in 2019-20 but as an alternative to the transfer from Schools Funding, a proposal could be made to reduce values. The risk associated with this proposal is that this reduction would increase the pressure further on school budgets. The pressure could be mitigated with a part year reduction i.e. two terms paid at 90%, one term paid at 100%.
9. **Named Pupil Allowances** – another large area of spend within the high needs block is expenditure on NPAs. Top up values are assumed to increase by 3% demography in 2019-20 but as an alternative to the transfer from Schools Funding, a proposal could be made to reduce values. The risk associated with this proposal is that this reduction would increase the pressure further on school budgets. The pressure could be mitigated with a part year reduction i.e. two terms paid at 90%, one term paid at 100%.
10. **Early Years Inclusion Support Fund** – the guidance on early years funding requires councils to have an inclusion support fund in place to support pupils with high needs in early years settings. This support can be funded from the high needs block, as currently happens in Wiltshire, or from the early years block. If the current level of inclusion support fund was met from the early years block then this would reduce costs to the high needs block by £0.357m. The impact on the early years block would be to reduce the underspend in early years. Note that whilst central spend on high needs provision is a local authority decision, central spend on the early years block is determined by schools forum.

11. **Movement of funding from schools block** – the operational guidance allows for local authorities to move up to 0.5% from schools block to high needs block with the approval of schools forum or to formally request a transfer over 0.5% to the Secretary of State. At the December meeting, Schools Forum agreed to fund up to 1% (approximately £2.6 million.) This would release additional for high needs spend but would reduce the funding available to distribute to schools in the mainstream formula. Despite the additional funding announced in December, it is proposed that 0.8% be transferred which will allow high needs funding to be made available in 2019/20 whilst the SEN consultant works with schools and the local authority to model options.
12. **Little Extras Monies** - Schools Forum discussed the “little extras” monies being used to replace the transfer at the December meeting. The ready reckoner provided by the DfE is estimating higher capital contributions than originally thought and so capital items Heads previously thought would need to come from revenue funding can be badged against this funding. It is anticipated this release of revenue will help the transfer be more manageable for schools but it is not proposed these higher sums reflect the total transfer to the High Needs Block as previously mooted.
13. **Local Authority Financial Contributions** – the local authority is committed to the fair funding of schools and has agreed the following
 - a. Earmarked funding as part of the FACT programme for 19/20 for a SEN consultant to look at High Needs Block.
 - b. Use of revenue funding in 2018/19 to fund a separate SEN specialist consultant to look at SEN transitional and planning which will have a positive impact on High Needs. This work started in November.
 - c. £19 million capital budget to build a new Special School & Centre of Excellence in the north of the County – this is funded from borrowing at an annual cost to the revenue account of £0.970 million.
 - d. On the assumption that Schools Forum agree to transfer 0.8% from Schools funding to the High Needs Block the Director of Finance will propose that Members make a one-off contribution of £1.3 million to the DSG deficit reserve account. This will prevent a further top slice from 2019/20 funding, as per the operational guidance.

DSG Reserve

14. The current forecast overspend on the School Funding reserve is £1.497m. The local authority contribution of £1.3 million will reduce this to a £0.197million deficit which is within acceptable levels.

Proposals

15. Schools Forum is asked to note the pressures on the high needs block and the potential options to reduce the shortfall against high needs budgets. These will be considered fully in the decisions paper.

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