

**DEDICATED SCHOOLS BUDGET – HIGH NEEDS BLOCK UPDATE 2020-21**

**Purpose of the Report**

1. To update schools forum on issues related to the high needs block for 2020-21 and the decisions that will need to be made as part of the budget setting process for 2020-21.

**Main Considerations**

2. As outlined in the paper on the funding settlement for 2020-21 the high needs block allocation for Wiltshire in 2020-21 is £51.996 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. It has been nationally recognised that the level of funding for the most vulnerable pupils has been historically insufficient and included in the total allocation above is an additional £4.441m which is Wiltshire's share of the additional £680m (with £100m held centrally for adjustments) announced by the government in August 2019. Whilst this additional funding is most welcome, it does not fully address the magnitude of the cumulative pressures from previous financial years nor does it fully address the anticipated pressure for 2020-21 financial year for Wiltshire.
4. 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 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***

5. An initial estimate of pressures on the high needs block for 2020-21 are listed in the table below:

<b>Pressure</b>	<b>£M estimate</b>
Additional Pressure to meet current Spend levels <i>(based on November 2019 forecast overspend over and above additional HNB funding)</i>	6.545
Allowance for 2019-20 future pressures	0.500
Estimated Cost increase based on planned reduced EHCP rate of increase 2020-21 <i>Demand for placements with external providers in independent special schools (ISS) and independent specialist providers (ISPs) Named Pupil Allowances (NPAs) and top ups is based on SEN planning demography of 10%.</i>	3.668
Estimated Contract Inflation 2020-21 @ 3.1% <i>External Provider Contract inflation is added to Independent Special School Fees and SEN alternative provision at 3.1%.</i>	0.460
Pay Inflation for SEN teams at 2% flat rate (avoids an in year overspend)	0.173

Increased Special School & Resource Base Planned Places 2019/20 <i>(not funded from the growth fund)</i> <i>10 in mainstream schools, 87 in special schools, including 44 at Springfields, 5 at Downlands, 18 at Exeter House and 20 at Rowdeford</i>	0.933
Contribution towards the current DSG deficit reserve & anticipated increased level for 2019-20	1.500
Development Fund – <i>Has been used in the past to pump prime new projects such as resource bases</i>	0.621
<b>Total Estimated Cost Pressure for 2020-21</b>	<b>14.400</b>

6. This estimate includes the following assumptions:

- a. Numbers of places for special schools, resource bases and enhanced learning provision (ELP) increase following the place number review.
- b. That the split of funding for the early years inclusion support fund continues to be fully funded from the early years block.

#### **DfE Allocation and Other Potential Funding Options**

7. In order to fully fund the pressures on the high needs block, the following model could be implemented which includes a transfer from Schools Block;

	<b>£M</b>
DfE HNB Allocation for 2020-21	51.996
Transfer from Central Block (surplus)	0.185
Transfer from Schools Block 1.97% comprising:	
Excess Growth Fund	£1.600
Mobility Fund	£0.570
Delegated Funds	£3.597

This model however is not affordable within the Schools Block, i.e.: the formula would not deliver the full NFF values. In order to balance the budget a number of options will need to be considered. Options modelling is provided in Appendix 1 for Schools Forum to consider.

8. In balancing the budget, it is recommended that;

- a. There is a transfer from the Central Block to High Needs Block – as previous years, any unallocated CSSB is transferred to contribute to the high needs pressures.
- b. There is a transfer of Schools Funding to High Needs Block value to be confirmed in the decision-making matrix including £1.6 million to be transferred from the DfE estimated growth fund which is surplus to estimated growth fund requirements for 2020-21. 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 considered options for transfer around the growth fund and mobility factors. This would release additional budget for high needs spend but would reduce the funding available to distribute to schools in the mainstream formula. Despite the additional funding announced in August, it is proposed that funds be transferred which

will allow high needs funding to be made available in 2020-21 whilst the recovery actions are implemented.

- c. The recovery actions presented to Schools Forum at the December 2019 meeting are all taken forward this assumes a level of success when working with schools on inclusion policy for children and young people. In light of this, sensitivity analysis has been applied in year 1.

### **Success to Date & Recovery Plan**

9. At this point in the meeting, a presentation and additional report will be shared by the Director of Education & Skills senior management team covering progress to date and outlining the planned recovery actions.
10. **Recovery** – as first described in the December 2019 presentation by the Director for Education & Skills, a total of eleven schemes to reduce costs in 2020-21.
11. **Local Authority Restructure of SEN** – the change to align School Effectiveness with SEN implemented in November 2019 will be outlined and benefits outlined.
12. **Top Up Values** – one of the largest areas of spend within the high needs block is expenditure on top up values. Top up values are assumed to increase by 10% demography in 2020-21 but a proposal is made to reduce values by 10%. This is following responses from schools in the Autumn consultation. The risk associated with this proposal is that this reduction would increase the pressure further on school budgets.
13. **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 10% demography in 2020-21 but a proposal made to reduce values by 10%. The risk associated with this proposal is that this reduction would increase the pressure further on school budgets.
14. **Local Authority 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 £0.200m for SEN consultants to examine drivers for demand, systems and make recommendations.
  - b. Earmarked funding as part of the FACT programme £0.070m for SEN travel reviews of current pupil transport arrangements.
  - c. Proposal of £33.194 million capital budget to build a new System of Excellence with up to 450 special school places in the north of the County – this is funded from borrowing at an annual cost to the revenue account of £1.597 million for 40 years.
  - d. Submission of a successful £12m Free School Bid in the South of the County with a commitment to fund any 'abnormals' during the build, current estimate £0.125m.

### **DSG Reserve**

15. The current forecast overspend on the School Funding reserve is £9.580m. This is currently being cash flowed by the local authority. This level of deficit reserve will trigger a recovery plan submission to the DfE in June 2020 and be based on the long-term recovery plan shared with Schools Forum at the December 2019 meeting.
16. In the Autumn, the Department for Education consulted on changing the conditions and regulations applying to the dedicated schools grant (DSG), to clarify that it is a ring-fenced specific grant, separate from the general funding of local authorities. Clarifying whether local authorities are expected to carry forward any deficits they may have on their DSG accounts, and whether the deficit has to be covered by their general reserves.

17. The outcome of this consultation and change to grant terms and conditions is likely to have a significant impact on the approach we take to setting the high needs budget and the transfer between blocks in future years.
18. The government had intended to make a decision on the proposed changes, in time to inform the setting of local authorities' budgets for the 2020 to 2021 financial year. However, the DfE website currently confirms that they are analysing feedback and we are asked to visit this page again soon to download the outcome of the consultation.

### **Proposals**

19. Schools Forum is asked to note the pressures on the high needs block and the potential preferred option to reduce the shortfall against high needs budgets including agreeing a transfer from Schools Block to balance the high needs pressures.
20. Any late changes to the accounting treatment of DSG as a ringfenced grant in the local authority accounts received from the DfE for 2020-21 prior to the meeting will need to be integrated into the decision making. These will be considered fully in the decisions paper.

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