**SCHOOLS FORUM – 17TH MARCH 2021**

**SEN – HIGH NEEDS BLOCK ALLOCATION 2021-22**

**Introduction**

The purpose of this paper is to advise Schools Forum members of the allocation of the High Needs Block (HNB) for 2021-22 and seek any comments they may have.

**Current position**

The 2021-22 indicative High Needs Block allocation issued by the DfE shows an allocation to NELC of £23.877M which is an increase of £2.667M on the 2020-21 allocation. This is before EFSA recoupment.

Whilst the increase in funding is significant and welcomed it needs to be noted that built into the increase is the mainstreaming of the teacher pay and pension grants for AP and special schools that will be passported direct to them. This amounts to £351k.

Current spend projections and demand has further increased in 2020-21 and an in year High Needs Block deficit of around £1M is currently being projected. This projection is subject to some assumptions and estimates and the position won’t be fully known until the year end.

As in previous years Members are further requested to note that in respect of our special academies final admission numbers will not be known until the summer and therefore the final value of top up funding cannot be precisely estimated at this time.

Whilst the additional funding is welcomed it does not remove the in year financial challenges of the High Needs Block and the financial pressures it has faced since 2017-18 as both demand and complexity of need have increased significantly during this time period.

A table showing the movement in EHCP numbers is shown below:

|  |  |  |
| --- | --- | --- |
| **Academic Year** | **Cumulative Number of EHCP’s** | **% Increase on previous years (NELC)** |
| 2014-15 | 536 |  |
| 2015-16 | 563 | 4.6 |
| 2016-17 | 639 | 13.7 |
| 2017-18 | 760 | 19.4 |
| 2018-19 | 892 | 17.2 |
| 2019-20 | 1,040 | 16.6 |

The number of children with an EHCP as a percentage of the school population locally, nationally and regionally are shown in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Academic Year** | **National %** | **Regional %** | **NEL %** |
| 2015/16 | 2.8% | 2.3% | 2.0% |
| 2016/17 | 2.8% | 2.4% | 2.1% |
| 2017/18 | 2.9% | 2.6% | 2.3% |
| 2018/19 | 3.1% | 2.8% | 2.7% |
| 2019/20 | 3.3% | 3.0% | 3.1% |

A significant proportion of spend is on out of area more expensive provision and indeed in 2019-20 amounted to £5.7m out of a total spend of £14.2m (40%). In 2020-21 spend is currently projected at £6.3m. This level of spend and year on year increase is unsustainable. Unless this level of spend can be reduced and as many children as possible educated in mainstream the financial challenges on the high needs block will remain and exacerbate and there is an urgent to need to put in train actions to address these.

At the 31st March 2021 it is now inevitable that the DSG Account (formerly known as the Contingency) will go into deficit. The rules around a deficit introduced by the DfE for 2019-20 have been amended so any LA whose DSG Account goes into deficit or is subject to a large financial movement will have to produce an action plan as to how this will be brought back into balance over a reasonable timeframe. **It should be noted that there is no requirement for the Council’s general fund to meet any deficit and the DSG as a specific grant must balance.** Given that the significant proportion of High Heeds Block is passported to providers then options become more complex. As stated at earlier forum meetings this would include discussions around a top slice from the Schools Block should this still be an option**. Indeed, a top slice cannot be ruled out for 2022-23 should DfE regulations still permit this**.

In the allocation for 2020-21 financial year a reasonable increase in top up rates was paid to providers. This increase reflected a number of years where rates paid to providers had been held.

In determining the allocation for 2021-22 then we have had to be mindful of the following:

1. The financial position of the DSG Account and the projected outturn position.
2. The increase in demand and complexity of need
3. Current spend commitments.
4. The provider market in respect of price / rate uplifts.
5. The need to facilitate mainstream pupil inclusion.to prevent more expensive packages.

**After consideration of the above an overallocation of £757k is forecast for the 2021-22 high needs block. This overallocation, if realised will be on top of the forecast overspend position for 2020-21 and would result in a projected DSG Account deficit of circa £2m by the 31st March 2022.**

The financial position is serious and the only way out of it is to keep as many pupils as possible in mainstream education to avoid more expensive packages. Where children are unable to remain in mainstream then the supply and location of appropriate and specialist provision needs to be created. If these options do not resolve the financial challenge and bring the DSG Account back into balance then if allowed a top slice of the school’s block cannot be avoided.

**Summary of the Main changes**

Appendix 1 shows the proposed allocation for 2021-22. The main changes are detailed below:

**Agency Placements**

Increasing demand together with the age extension from 19-25 is leading to an increase in provision and funding pressure for young people with the highest needs, who often require bespoke packages of education with associated high costs.  It is evident from recent tribunal experience and intelligence from other local authority’s experiences that this is a national pressure.

The council continues to monitor this area of spend and is developing a plan to monitor and quality assure the placement settings and where possible **to consider ways in which** **we can jointly reintegrate our young people back into the mainstream setting and/or to lower cost placements** where there would be no material dis-benefit for the child / young person.

Due to demand exceeding supply in respect of provision this cost spending pressure will increase unless there is active management. As stated above in 2019-20 the spend amounted to £5.7m out of a total spend of High Needs Block allocation of £14.2m (40%). In 2020-21 spend is currently projected at £6.3m.

**Special / Mainstream School Banding Value Top Ups**

Demand pressures continue to be experienced across both special and mainstream sectors although the commissioned place numbers in special schools were kept the same as in 2020-21 for the 2021-22 academic year.

Top Up rates were increased last year by 7% and a fixed cost payment to special schools at the same amount that is paid to schools was introduced. For this academic year a 1.7% increase in top up rates is proposed together with an increase in the fixed cost payment in line with those received by mainstream schools.

As stated last year the banding system has caused concerns for special provision in respect of financial planning and sustainability issues. Whilst the banding system will be extended to remain in place in 2021-22 it is still the intention for this to be reviewed by the service especially around special school provision. The intended review due to be carried out in 2020-21 was delayed as a result of the COVID pandemic.

**Alternative Provision**

No changes to place numbers were commissioned as part of the high needs place return submitted in November 2020 for the 2021-22 academic year. In respect of the top up rates these were increased last year by 5.6% and a 1.7% increase is proposed for the academic year 2021-22.

**Post 16**

The increase in this allocation in 2021-22 is as a result of the merger of the East Riding College into the TEC Partnership. As a result, the number of post 16 places has increased resulting in an increased element 2 deduction at source.

**Early Years SEN Inclusion Fund**

No change in the allocation for this spend is proposed in 2021-22. There is always likely to be excess demand in this area and as such criteria will need to be constantly reviewed so budgets are targeted to where the need is greatest.

As is previous years this budget activity can either fit under high needs or early years and due to spending pressures within the high needs block in order to try to mitigate the deficit on the DSG Account any underspends on the EY Block will be used to offset this area of High Needs spend.

**ASD Provision**

No further changes in terms of place numbers are proposed for the academic year 2021-22. An uplift of 1.7% in top up value is proposed for the academic year 2021-22.

**BAC’s Income**

Income from the BAC’s process continues to be collected where permanent exclusions occur. Over time decisions have been made by the Schools Forum to allocate some of this to fund specific activities. This includes a mixture of staffing, additional alternative provision places, other provision in addition to the contribution to the Behaviour Service Team and more recently it was agreed to contribute an element of this income to fund a group of staff within the Localities team.

After many years of financial prudence the Local Authority was placed in a position where it needed to use all of this income (£800k) to balance its high needs spend. In the current financial year the amount of £800k won’t be achieved due to school closures as a result of the COVID pandemic and as such it is necessary to revise this estimate. As a result, the amount has been reduced to £400k but clearly there is an element of risk should the COVID pandemic result in further school closures in the future.

**Pupil Inclusion Fund**

This allocation was introduced in 2020-21 and is to be retained in 2021-22. Whilst it is still a developing concept it is considered key to reducing more expensive placements as “a spend to spend less” concept. Unless spend can be freed up and children retained in mainstream school the similar model of increasing agency spend will be perpetuated. This is no longer financially affordable or sustainable.

**Central DSG Contingency projected position**

Based on the above the projected position on the DSG Account is detailed in the table below:

|  |  |  |
| --- | --- | --- |
|  | **£’m** | **£’m** |
|  |  |  |
| b/f as at the 1st April 2020 |  | 0.057 |
|  |  |  |
| Projected DSG High Needs Block 2020-21 overspend | (1.000) |  |
|  |  |  |
| **Projected DSG Account deficit as at the 31st March 2021** |  | **(0.943)** |
|  |  |  |
| Projected 2021-22 gross HNB over allocation | (0.757) |  |
|  |  |  |
| **Projected DSG Account deficit as at 31st March 2022 (subject to the allocations not being breached)** |  | **(1.700)** |

The above projected position may not be as high as a result of the import / export adjustment which isn’t factored in respect of the additional TEC partnership changes. The financial impact of this cannot be quantified at this time.

Projected variances on the other DSG Blocks have not been accounted for. These are usually of a small value.

**Local Authority Actions**

The Local Authority is undertaking a number of actions to try to contain spend on the High Needs Block. The current position on these is as follows:

* Agency placement review
* Contract and procurement spending review of providers
* Valuing Care and Valuing SEND initiatives

The recent creation of a Schools Forum Working Party focusing on the HNB spend and ways in which we can further developing inclusivity in both primary and secondary settings; examples could include primary resource based provision and potentially a Free School (or similar) for our secondary SEMH cohort.

The development of the Together for All Board is meeting on the 11th March to reaffirm its priorities for change, one of which, we hope will have a focus on inclusivity.

**Overall conclusions**

Appendix 1 and the contents of this report present what is now a very challenging position in terms of the DSG Accounts. The projected overspend and over allocation in 2021-22 leads to a significant deficit position which will attract DfE interest. The actions discussed above are a positive step forward but are not quick wins.

The current position particularly in respect of agency placements is financially unsustainable. To reduce the financial pressure it is vital that children are retained in mainstream settings as far as possible and where specialist provision there is sufficient supply to avoid high cost placements as far as possible. Should these strategies not be sufficient then top slices of the Schools Block, should this be permitted, will become inevitable.

**Recommendation**

Whilst the setting of the High Needs Block allocation does not require a formal decision from the Schools Forum and the report is for information and noting only it is imperative that the joint work recently started is progressed at pace in order prevent the financial deficit position referred to increasing.

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17th March 2021