**SCHOOLS FORUM – 11TH MARCH 2019**

**SEN – HIGH NEEDS BLOCK ALLOCATION 2020-21**

**Introduction**

The purpose of this paper is to advise Schools Forum members of the allocation of the High Needs Block (HNB) for 2020-21 and seek any comments they may have.

**Background**

The 2020-21 indicative High Needs Block allocation issued by the DfE shows an allocation to NELC of £21.210M which is an increase of £2.652M on the 2019-20 allocation. This is before EFSA recoupment.

In respect of the increase this has arisen as a result of the full introduction of the new High Needs National Funding Formula together with the additional funding into this area of £700m nationally announced in the Chancellors Statement on the 17th December 2019.

Whilst the increase in funding is significant and welcomed current spend projections and demand has further increased in 2019-20 and an in year High Needs Block deficit of £0.5M is currently being projected but this is subject to some assumptions and estimates which 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.

**Principles adopted in considering the allocation**

Whilst the additional funding is welcomed it will not totally remove the financially 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 during this time period.

A significant proportion of spend is on out of area more expensive provision and indeed in 2018-19 this amounts to £4.6m out of a total spend of £13.5m (34%). 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 in all likelihood exacerbate.

Should these financial challenges continue then it 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 a management plan has to how this will be rectified. Given that the significant proportion of High Heeds Block is passported to providers then options become more complex. As stated at earlier forum meetings it may then this would include discussions around a top slice from the Schools Block should this still be an option.

It is also recognised that rates paid to providers have been static over the past few years and providers have faced increasing cost pressures in this time.

Consequently 3 principles are considered necessary to be met when determining the HNB allocation for 2020-21.

1. Stopping the DSG Account going into deficit.
2. The expectation of providers that there will be come uplift in rates where this can be justified.
3. The need to create a fund to facilitate mainstream pupil inclusion.to prevent more expensive packages

**Summary of the Main changes**

Appendix 1 shows the proposed allocation for 2020-21. 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 and increasing demand and indeed lea to the additional funding given in the Chancellors Statement.

The council continues to monitor this area of spend and has introduced an active programme to monitor and quality assure the placement settings and where possible review move them 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.

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

Demand pressures continue to be experienced across both special and mainstream sectors and commissioned place numbers in special schools have been increased in recent years and again in 2020-21 for one of the provisions.

No increase in Top Up values have been made since 2017-18 due to affordability challenges and it is recognised that costs have increased.

The banding system has caused concerns for special provision in respect of financial planning and sustainability issues. Whilst the banding system will remain in place in 2020-21 the intention is for this to be reviewed by the service especially around special school provision. In the interim for 2020-21 the following is proposed:

* A general 7% increase in top up values. The values will be issued at a later date.
* A fixed cost payment to special schools at the same amount of that is paid to schools

**Alternative Provision**

No changes to place numbers were commissioned as part of the high needs place return submitted in November for the 2020-21 academic year. In respect of the top up rates these were last increased in September 2017. Benchmarking has been undertaken and a 5.6% increase in top up rates is proposed for 2020-21. The total cost reflects reductions in respect of dual registration and management cost reductions.

**Post 16**

The reduction in this budget reflects current projected spend in 2019-20. This budget will require careful monitoring throughout 2020-21.

**Early Years SEN Inclusion Fund**

The increase in allocation in this area is based on activity in 2019-20. 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.

This budget activity can either fit under high needs or early years and due to pressures within the high needs block in order to try to maintain a balanced DSG Account any underspends on the EY Block will be used to offset this area of High Needs spend.

**ASD Provision**

Last year the Council reduced the number of places it commissioned by three from this provision. No further changes have been proposed to 2020-21.

**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 to balance its high needs spend and had needed to do so again this year.

**Pupil Inclusion Fund**

This is a new allocation and whilst this will be an added cost to the High Needs Block is considered necessary to be introduced as “a spend to spend less” concept. Whilst the criteria and precise mechanics of how this will work are still to be finalised unless spend can be freed up and children retained in mainstream school the similar model of increasing agency spend will be perpetuated.

**Contribution to DSG Account**

As above this is a new allocation is considered necessary to endeavour to avoid the DSG Account going into deficit.

**Central DSG Contingency projected position**

This over allocation referred to above will be met from the central DSG contingency. As a result it is considered necessary to advise Schools Forum of projected position. This is shown in the table below:

|  |  |  |
| --- | --- | --- |
|  | **£’m** | **£’m** |
|  |  |  |
| b/f as at the 1st April 2019 including Early Years adjustment |  | 0.949 |
| Over allocation of 2019-20 HNB | (0.346) |  |
| **Adjusted balance as at 1st April 2019** |  | **0.603** |
|  |  |  |
| Projected HNB 2019-20 overspend | (0.559) |  |
| Estimated other block underspends, still to be confirmed | 0.157 |  |
|  |  |  |
| **Projected c/f as at the 31st March 2020** |  | **0.201** |
|  |  |  |
| Projected 2019-20 gross HNB over allocation | (0.151) |  |
|  |  |  |
| Funds back to contingency | 0.150 | **(0.001)** |
|  |  |  |
| **Projected Remaining contingency available as at 31st March 2021 (subject to the allocations not being breached)** |  | **0.200** |

**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
* Valuing Care
* iMPOWER Review
* Bursar Educational facility

**Overall conclusions**

The allocation in Appendix 1 meets the principles laid out above but this is not without financial challenges and risk. The financial position in respect of the High Needs Block, despite the welcomed increased financial allocation in 2020-21, is and will remain very challenging.

To reflect an accurate budget the authority finds itself in a position of £0.151M over allocated after factoring in all of the BAC’s income (£0.8M).

The DSG Account remains fragile as demonstrated by the above DSG contingency table.

The creation of a Pupil Inclusion Contingency is considered a necessary step forward. Unless the level and proportion of agency placement spend can be reduced to free up funding resource for less cost solutions the achievement of a financial sustainable high needs block position will be difficult to achieve.

Equally it is considered necessary to factor in a contribution to the DSG Account to try to ensure a deficit is avoided or minimised.

**Recommendation**

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.

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