

## High Needs Finance Report Oct 2020



<b>Report to:</b>	<b>Schools Forum – High Needs Sub-group</b>
<b>Date of Meeting(s):</b>	<b>15 October 2020</b>
<b>Subject:</b>	<b>High Needs Block Update and Recovery Planning</b>
<b>Report of:</b>	<b>Colette Dutton – Director Children and Families</b>
<b>Contact Officer:</b>	<b>John McDonald Strategic Finance Manager Anthony Meehan Group Finance Manager</b>
<b>Summary:</b>	To update Schools Forum on the latest financial position for 2020/21 and to outline changes to requirements regarding recovery plans.
<b>Recommendation(s):</b>	None. To note the ongoing significant financial pressures and information regarding recovery plans.
<b>Implications:</b>	
<i>What are the <b>financial</b> implications?</i>	Contained within the report
<i>What are the <b>staffing</b> implications?</i>	TBC
<b>Risks:</b>	n/a

Please list any appendices:-

Appendix 1 – Funding Formula Diagram  
Appendix 2 – Projected Outturn 2020/21

### 1. Introduction

- 1.1 The purpose of this report is to provide an update on the ongoing financial pressures in respect of our High Needs Block. The budget projections have been updated and further information is included within this report. The report also sets out changes in respect of DSG recovery plan requirements and how the work of the forum sub-group will feed into the recovery planning process.

## 2. National Update

- 2.1 It is pleasing to note that the government awarded additional funding of £780m for SEND for 2020/21 as announced in the spending plan in September 2019. In addition, a further £730m is being provided in High Needs funding in 2021/22.

The High Needs NFF for 2021-22 will have the broadly the same factors as at present. Included at Appendix 1 is a diagram setting out the building blocks of the High Needs funding formula. Whilst the factors are largely unchanged it should be noted:

- **The funding floor** – this ensures that all local authorities' allocations per head of population will increase by a minimum percentage compared to the baseline. For 2021-22 this is to remain at 8.0%.
  - **The limit on gains** – the limit on gains will be 12.0% per head of population compared to the baseline, so that authorities due to gain under the formula see an increase of up to 12.0% before their gains are capped.
  - **Pay and Pensions Grant** – Like the Schools Block, the pay and pension grant allocations for special schools and AP will be rolled into the high needs block. Basic Entitlement factor has increased by £660 to accommodate this and one of the factor values has also been amended to incorporate the grant values for pupils on the AP census.
  - The provisional allocation for Wigan is £39.5m (before any deductions by the ESFA in respect of academies and FE institutions). This is an increase of £4.6m from 20/21 (13%) increase. Incorporated within this increase, however, is the pay and pension grant allocations for special schools and AP, when this is removed this reduces the increase to circa £4m. These figures are provisional at this stage.
- 2.2 The government announced in September 2019 that there was to be a major review of SEND. Five years on from reforms introduced to better support children and young people with special educational needs and disabilities (SEND), the review aims to improve the services available to families who need support, equip staff in schools and colleges to respond effectively to their needs as well as ending the 'postcode lottery' they often face. It will conclude with actions to boost outcomes and improve value for money, so

that vulnerable children have the same opportunities to succeed, as well as improving capacity and support for families across England.

To date there have been no published outcomes from the review and the review is likely to have been delayed due to the COVID pandemic.

- 2.3 The Government also announced that the high needs national funding formula will be reviewed, with the DfE currently anticipating that initial changes will come into effect in 2022/23. Changes to the formula will be informed by the outcomes of the wider SEND review and will be subject to consultation.

### 3. GM update

- 3.1 All ten Local Authorities in Greater Manchester, like the vast majority of Local Authorities across the country, are experiencing severe pressure against their Dedicated Schools Grant (DSG) budget. This pressure is most acute in high needs budgets for which Local Authorities are directly responsible.
- 3.2 At the end of 2019/20, GM Authorities will have a collective overspend of approx. £76m, expected to be £92m by the end of 2020/21. This is despite moving £23.562m from Schools block to High Needs.

Local Authority	2020/21 High Needs Projected in Year overspend/ - (Underspend) £m	Cumulative High Needs Deficit cfwd to 2020/21 £m	Projected High Needs Deficit at end of 2020/21 £m	Total £ms transferred from Schools Block (cumulative)
Bolton	0.700	12.700	13.400	6.500
Bury	4.500	20.067	24.567	0.813
Manchester	1.697	4.281	5.978	0.000
Oldham	0.151	14.879	15.03	7.247
Rochdale	0.647	3.253	3.900	1.585
Salford	2.500	16.141	18.641	1.597
Stockport	0.400	1.302	1.702	2.389
Tameside	4.630	4.568	9.198	0.849
Trafford	0.667	0.000	0.667	1.592
Wigan*	0.400	2.915	3.315	2.000
Totals	16.141	75.867	92.008	23.562

\*This information was provided prior to the updated financial position now contained in this report

#### 4. Local Position

- 4.1 Provided in the table below is a summary of Wigan's high needs block and cumulative deficit carried forward each year in recent financial years:

Year	High Needs Funding* (£m)	Cumulative Deficit C/Fwd (£m)
2018/19	28.902	0.600
2019/20	29.715	2.915
2020/21	34.846	3.580 (projected)

\*Before recoupment

- 4.2 As highlighted above we currently have a significant cumulative high needs deficit totalling £2.915m brought forward in to 2020/21. We are currently projecting that this deficit will increase further by around £0.665m to £3.580m despite significant additional funding in 2020/21. Further details of the current projections are included at Appendix 2 of this report.

#### Post 16

Projected spend in this area is in excess of the budget available, however, it is anticipated that this will be broadly comparable with 2019/20 expenditure. We have, however, had an increase in the deduction from our High Needs block for Post-16 place funding with an extra 46 places commissioned for academic year 2020/21. (£0.268m)

#### Independent Schools

The number of placements for students with EHCP's in independent schools as at the beginning of the Academic Year 2020/21 has increased by 9 compared to the same point in 2019/20. The average placement cost has also increased by 1%. This includes placements at the recently commissioned Progress School (Ilford).

Expenditure continues to be well in excess of the budget in this area and it is projected to be higher than in 2019/20.

Increasing demand for special education and a lack of capacity within the borough's special schools have contributed to this budget pressure.

#### Exclusions and Alternative Provision

Exclusions reduced in the Academic Year 2019/20 by 23, however, it should be noted that there were no exclusions in the Summer Term due to school

closures. Had schools been open it is likely that the number of exclusions would likely have remained similar to 2018/19 (93 in total).

The number of exclusions and periods of time involved in reintegrating pupils back into mainstream education is resulting in significant cost pressures. An additional 15 places were commissioned with Three Towers in September 2019 at a cost of £0.240m per annum. Furthermore, additional funding has been agreed for the Academic Year 2020/21 or £0.232m, however this is to be funded from central DSG underspends.

In addition, the number of independent special school placements commissioned by pupil inclusion during the 2019/20 academic year, where the pupil does not have an EHCP, has increased significantly from 8 to 29. Resulting in additional costs of approx. £0.350m. For these pupils, it was either felt that a placement at Three Towers was not appropriate or a placement had previously broken down. A number of these students subsequently receive an EHCP and the cost pressure moves into the independent schools budget line.

Pupil inclusion also commission 1:1 tutoring for some excluded students as a temporary measure whilst an appropriate placement is sought.

The income generated from the AWPU recovery and charges does not meet the annual estimated cost of educating the excluded pupil. It costs us on average a minimum of £16k a year.

## **EHC plans**

Census data as at January 2020 identified that we now have 1,930 children and young people with an EHCP. This is an overall increase of 126 plans (7%) from January 2019, and continues the upward trend seen between 2018 and 2019 where there was an increase of 124 plans.

Referrals are coming in at a rate of 5 a week. We have also seen a significant increase in support at Early Years, which has almost doubled in numbers and value this year compared with the Autumn Term 2019. In 2019 the Early Years Additional Resources provided totalled £228,000, whereas in September 2020 this has increased to £417,000. It should be noted that we saw similar percentage increases between 2018/19 and 2019/20, however, it is hoped that this investment in early years will give rise to savings elsewhere in the system.

Initial allocations at the beginning of the financial year had increased by £0.400m from the same time the previous year, notwithstanding increases as a result of in-year plans.

## **Special Schools Places and Resourced Provision**

The overall number of special school places has increased significantly compared with 2019/20. In total we currently pay for 869.5 places in our special schools, this is an increase of 50.5 places from 819 in September 2019.

As a result, the overall budget for special schools increased by £1.767m in 2020/21 compared with 2019/20. We are currently forecasting a small underspend against budget due to a reduction in requests for additional support above core funding which was previously factored into the budget.

Work is currently ongoing with commissioning additional resourced provision in mainstream schools. Total additional places and costs are yet to be finalised, however, this will create an additional cost pressure in the short term, with the hope that savings will be generated over the longer term.

## **Transport**

The increasing number of special school placements both internal and external and EHC plans is also having an adverse affect on the Council's transport budget.

- 4.3 As highlighted above we will potentially receive an additional £4.6m next year (including pay and pension grant funding incorporated). It is likely that we will have a cumulative deficit of circa. £3.5m by year end and this deficit will be carried forward to be funded by the increased allocation for 2021/22.
- 4.4 In this financial year (2020/21) a contribution of £0.750m was made to the high needs block, which consisted of a £0.450m contribution from the schools block and £0.300m from central DSG underspends following a recoupmnt adjustment. At the last Schools Forum meeting in July 2020, it was agreed that any remaining funds from the reported DSG central underspend in 2019/20 could be used to support the High Needs Block in 2021/22. It is anticipated that this will amount to £0.278m.
- 4.5 There is currently a significant amount of work being undertaken in respect of the SEND transformation programme to help to address the issues which we are seeing within our High Needs block. This will be covered in more detail as separate agenda item at this meeting.

## **5. DSG Recovery Plans**

- 5.1 It was previously a requirement for Local Authorities to submit a DSG deficit recovery plan to the DfE where the deficit was 1% or more of their DSG allocation. Wigan has not previously met this threshold.

5.2 In 2020/21 the requirement was revised and the DSG Conditions of Grant now state:

*‘Any local authority that has an overall deficit on its DSG account at the end of the 2019 to 2020 financial year, or whose DSG surplus has substantially reduced during the year, must co-operate with the Department for Education (DfE) in handling that situation. In particular, the local authority must:*

1. *Provide information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently.*
2. *Provide information as and when requested by the department about pressures and potential savings on its high needs budget.*
3. *Meet with officials of the department as and when they request to discuss the local authority’s plans and financial situation.*
4. *Keep the schools forum regularly updated about the local authority’s DSG account and plans for handling it, including high needs pressures and potential savings.’*

5.3 Whilst the above removes the requirement to submit a recovery plan when a certain threshold is met, it highlights that the DfE will look to ensure that appropriate plans are in place to address financial pressures and there is a recognition that this is likely to stem from the High Needs block.

5.4 Wigan Council recently attended a research session with the DfE in respect of DSG management plans. Following these sessions the DfE has very recently published a template plan which can be used by LA’s to meet the requirements in the Conditions of Grant. Adoption of the template isn’t mandatory, however, LA’s must have a similar plan in place.

### **Schools Forum High Needs Sub-Group**

5.5 In order to support with the plans to address the High Needs deficit and in formulating the DSG management plan a sub-group of forum has been established. The first meeting was held on 7<sup>th</sup> October.

5.6 At this meeting an update was provided on the LA’s SEND transformation plan and the workstreams which are ongoing including work around Resourced Provision, the graduated approach and pathway and additional specialist provision which has been commissioned.

5.7 This finance update was also provided at the meeting and a demonstration provided on the management plan template which is to be completed.

5.8 Work will begin on the DSG management plan and a further meeting of the sub-group is scheduled for 16<sup>th</sup> November to share a working draft of the plan.

## **6. Conclusions and Recommendations**

- 6.1 Despite the increase in funding in 2020/21, due to the continued growth in this area we are likely to see an increase on the cumulative deficit on our High Needs block at the end of this financial year. Forum members are asked to note the figures included within this report.
- 6.2 In line with the changes to the DSG conditions a robust management plan is to be developed by the LA in consultation with Schools Forum and other relevant stakeholder, which will be informed by the SEND transformation programme.