

Meeting: Schools Forum

Date: 18 September 2017

Subject: High Needs Block Update

Report of: Director of Children's Services

Summary: To provide an update on how the centrally retained High Needs Block Funding has been allocated in 2017/18 and current projected spend against budget for the financial year. The report provides an overview of current pressures and potential mitigation to meet the pressures identified in the report

Contact Officer: Sue Harrison

Public/Exempt: Public

Wards Affected: All

Function of: Council

RECOMMENDATIONS:

1. To note the update on the HN block spend for the financial year 2017/18
2. To consider the proposals to mitigate the current forecast pressure

Background

1. The high needs block supports provision for pupils and students with special educational needs (SEN) and disabilities (SEND), from early years to age 25, and alternative provision (AP) for pupils who cannot receive their education in schools.
2. Under the current School and Early Years Finance (England) Regulations local authorities have the flexibility to make changes to the number of places funded in maintained schools. The process to notify the Education Funding Agency (EFA) of changes to 2017 to 2018 academic year place numbers at institutions funded directly by EFA, including academies, ended on 25 November 2016 (high needs place notification process).
3. Following the publication of information about local authorities DSG allocations, EFA deduct the amount required to fund the places in those institutions that receive place funding direct from EFA from the LA overall high needs allocation (recoupment).
4. The School and Early Years Finance (England) Regulations 2017 define the local authority education budgets (the non-schools education budget, the schools budget, the central expenditure and the Individual Schools Budget (ISB)).

5. Determination of Budget Shares (Part 3, section 14 of the Regulations) states the LA must include £10,000 for each place for Special schools and pupil referral units. The latter applies to places to be commissioned by schools or directly by a local authority.
6. Not later than 28th February 2017, a local authority must determine the budget share for each of the special schools and pupil referral units maintained by it in accordance with Part 3 of the Regulations.

Update

7. Since the last meeting, the requested action plan has been put in place and monthly monitoring procedures have continued to record accurately the expenditure incurred each month as well as actions to be taken to reduce or mitigate spend increases wherever possible.
8. The timing of the September meeting and associated approval and publishing timelines has resulted in limited information being available for the month of August which tracks expenditure up to the second week. This includes accurate forecasting of pupil numbers in special schools and post 16 funding for September school rolls. However, this additional information will be available for the High Needs Technical Subgroup meeting for further analysis at their October meeting.
9. This report provides an overview of spend based on the tracking of four complete months of this financial year and offers a more reliable view of the efficacy of new procedures.
10. The fluctuations from month to month partly arise from invoices processed during that period. For example, some of the invoices relate to an outstanding liability from the previous financial year which were submitted late, after the closure of the 2016/17 accounts.
11. However other key budget lines relate to the forecasting of pupil numbers in specific provision, for example the numbers of children where recoupment charges will be liable for the year, the number of children with new statements in year and the number of children attending education 'Post 16' educational provision.

HN Forecast Spend

12. The following table sets out the Initial budget (as agreed in consultation with School Forum 22 March 2017) for the centrally retained HN Block, actual expenditure to 31 August 2017 and current forecast overspend:

	Initial Budget 17/18	Spend to Date	Forecast Year End Outturn	(Over) / Underspend
Therapies	40,000	20,512	48,000	(8,000)
Statements/EHC Plans	500,000	19,232	407,727	92,273
Academy Statements/EHC Plans	2,334,145	2,290,192	2,613,020	(278,875)
Outreach and High Cost Pupils	500,000	164,270	430,000	70,000
Out of County Placements (Pre-16)	950,000	886,175	829,077	120,923
SEN Additional Pupil Support	200,000	114,910	200,000	0
High Needs Post 16	2,300,000	1,005,215	2,700,000	(400,000)
Access and Inclusion	100,000	105,553	100,000	0
Virtual School	283,210	154,558	283,210	0
Other Authority Top Up Payment	850,000	450,688	1,119,422	(269,422)
DSG Contribution to Central overheads	719,280	0	719,280	0
Commissioning	1,812,014	762,398	1,819,403	(7,389)
ACB Top up	1,200,000	500,000	1,200,000	0
HN Block contingency	711,172	391,195	*1,002,050	(290,878)
Total	12,499,821	6,864,898	13,471,189	(971,368)

13. *The forecast out-turn of £1,002,050 for the HN Block contingency includes the additional recoupment for HN places reported on the September place funding adjustment for Academy special schools (£405,833), additional places and top up agreed with special schools at the March School Forum (estimated £577,855) and Ardley Hill ASD provision for the period Apr – Aug (£33k). This has then been reduced by £14,638 net income to the HN Contingency.
14. To summarise the table below breaks down the HN Block into the main component parts:

	Initial Budget 2017/18
Centrally Retained Funding	12,499,821
Maintained Special Schools Individual School Budget (ISB)	6,327,918
Academy Special Schools ISB	1,505,875
Maintained Schools Initial Statement allocation included in school's ISB	2,635,813
HN Block recoupment (pre September adjustments)	4,446,000
	27,415,427

15. The updated projections of HNB spend highlights a current forecast overspent against budget of £971,388. This forecast pressure mainly results from four key areas: -

1. An increase in the number of children where recoulement charges are required based on the number of children with SEN attending academies through 2017/18
2. An increase in the number of children in Academies subject to statements/EHC Plans from initial baseline assumptions
3. High Needs Post 16 funding – specifically related to both the costs of provision for some of the young people educated ‘out of borough’ and an increase in the number of children attending post 16 provision where EFA funding was not requested based on the initial forecast.
4. Other authority top up payments – related to an increase in the number requiring top up payments for the year 2017/18 than initial projections. This is partly due to a number of invoices for 2016/17 not being submitted until after April 2017 which affected the forecast of total anticipated children requiring top up for the subsequent (17/18) financial year.

Next Steps

16. Further analysis is being completed by the service to ensure both a more accurate understanding of current HNB budget lines and a review of how future forecasting should be overseen to mitigate fluctuations in forecasting wherever possible through the year as well as mitigating actions that can be put in place where pressures arise.
17. As it stands, the current budget allocation provides limited elements where mitigation can take place during the year as funding is effectively ‘locked in’ to either specific contracts, EHC allocations of special school provision or other similar funding requirements. As a result, any demand increases in either the number or complexity of children requiring SEN support can result in significant pressures on multiple budget lines across the HNB funding envelope.
18. As well as more granular analysis of forecasting and data assumptions to support accurate budget monitoring, the High Needs Technical Subgroup will need to consider how the ‘wider system’ both impacts on the HNB budget and how more ‘flex’ can be built into how the local area responds to children with additional needs, to mitigate demand changes over the coming months and years.
19. Whilst further review will take place of other mitigations to reduce the pressures outlined in this report, budget lines in the HNB where pressures or underspends are currently forecast remain volatile. As a result, it is likely the current identified pressure will remain resulting in a budget deficit of just under £1million on the HNB spend.
20. The Schools Forum regulations govern the composition, constitution and procedures of school forums. School forums generally have a consultative role. However, there are situations in which they have decision making powers.

21. This includes authorising a reduction in the school's budget in order to fund a deficit arising in central expenditure that is to be carried forward from a previous funding period
22. Regulations state that the LA must consult the school forum annually in connection with arrangements for the education of pupils with special education needs in particular the places to be commissioned by the LA and schools and the arrangements for paying top-up funding

It is for the LA to decide on the appropriate level of detail it needs to generate a sufficiently informed response from school's forum

23. **Options**

There are a number of options for mitigating the pressure on the High Needs Block for the Schools Forum to consider:

- Utilising DSG underspends in 17/18 to offset High Needs Block pressures
- Carry forward the deficit to 2018/19 with a view to :-
 - A reduction in central expenditure spend (All Blocks) for 2018/19 to mitigate this expenditure
 - Review places commissioned for 2018/19
 - Review top-up payments (both Special School and Provisions) for 2018/19
 - Increased HN Block allocation 2018/19
 - Transfer from either/both Early Years or Schools Block (as permitted by regulation) 2018/19

Appendices:

None