

Report To:	SCHOOLS' FORUM
Date:	25 June 2019
Reporting Officer:	Tim Bowman, Assistant Director, Education Tom Wilkinson, Assistant Director, Finance
Subject:	HIGH NEEDS FUNDING UPDATE
Report Summary:	A report on the High Needs Budget and options for managing the budget pressure in 2020-21
Recommendations:	<p>Members of the Schools Forum are requested to note and support the contents of the report.</p> <p>Members of the Schools Forum to note that unless there is significant reductions in demand for specialist services that a transfer from the Schools Block to the High Needs block to support the Education of the most vulnerable children in the borough will be required.</p> <p>That an update on this issue be provided to the next meeting for the forum including growth levels and final funding announcements.</p>
Corporate Plan:	High Needs Funding significantly supports the Starting Well agenda to provide the very best start in life where children are ready to learn and encouraged to thrive and develop, and supporting aspiration and hope through learning and moving with confidence from childhood to adulthood.
Policy Implications:	In line with financial and policy framework.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<p>The Dedicated Schools Grant is a ring fenced grant solely for the purposes of schools and pupil related expenditure.</p> <p>If the projected deficit materialises as expected, a deficit recovery plan would have to be submitted to the DfE outlining how we expect to recover this deficit and manage spending over the next 3 years.</p>
Legal Implications: (Authorised by the Borough Solicitor)	Failure to account for the Grant in accordance with correct accounting procedures will put the Council at risk of auditor and DfE counter action through imposition of sanctions and penalties due to unlawful practices.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and closure of accounts to ensure that this is achieved. These will be subject to regular review.
Access to Information:	This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

Background Information: The background papers relating to this report can be inspected by contacting Christine Mullins



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1. INTRODUCTION

- 1.1 This report provides an update on the 2018-19 outturn position for the High Needs Dedicated Schools Grant (DSG) funding and projections for the 2019-20 position.

2. BACKGROUND

- 2.1 As previously reported there continues to be a significant and continued pressure on the High Needs Block arising from a number of areas that have been discussed;

- the increasing high needs population such as special school places and resourced provision
- Increase Education Health Care Plans being issued
- Increases in the number of Post 16 placements requiring top up funding
- Increased spending in supporting Tameside children in the Independent Sector or Out of Borough placements

3. NATIONAL CONTEXT

- 3.1 The funding pressures we are facing in Tameside are being replicated in local authorities across the country and we are looking at ways to manage these pressures whilst continuing to support those children most in need, this will require us to think differently about our practice, provision and places we commission.

- 3.2 Recent benchmarking information has shown LA's across the country are in similar positions with the average deficit on the DSG being around £3.4m and 74% of LA's projected a deficit in 2018-19 compared to 34% in 2015-16.

- 3.3 On 16 December 2018, the Secretary of State for Education, Damian Hinds announced £250m of funding across 2 financial years 2018-19 and 2019-20 to address the national pressure on High Needs spending and in response to representations made by Local Government and Schools. Tameside have been allocated an additional £0.517m both in 2018-19 and 2019-20 which will partly offset the projected deficit on this budget.

- 3.4 The DFE has further acknowledged the concern for many schools and local authorities and confirmed the issue will be carefully considered in the forthcoming spending review. To support this a 'call for evidence' was launched on the 3 May 2019 and its focus will be to review how the current available funding is distributed, and what improvements might be made in the future. It seeks information about whether there are aspects of the funding system that are driving up costs without improving outcomes for the young people concerned.

- 3.5 Please find the link below (this has also been brought to the attention of all schools via the schools finance monthly bulletin). The closing date for responses is the 31 July 2019. The LA will be preparing its response and all schools and governing bodies are encouraged to respond.

- 3.6 <https://consult.education.gov.uk/funding-policy-unit/funding-for-send-and-those-who-need-ap-call-for-ev/>

4. HIGH NEEDS OUTTURN POSITION 2018-19

- 4.1 The year-end position resulted in an in-year deficit of £1.453m. As in 2017-18, the 2018-19 deficit will be funded from Dedicated Schools Grant (DSG) reserve which leaves the reserve standing at £3.23m in 2019-20.
- 4.2 The forecast for 2019-20 based on known current commitments as the table shows this could result in an in-year deficit of £1.921m before any in-year growth or developments to the current high needs funding arrangements.

Table 1 – High Needs 2018-19 Outturn

High Needs Budget Position	2018-19 Final Position £000's	2019-20 Forecast £000's	Difference £'000's	Difference %
Expenditure				
Mainstream	1,492	1,877	385	26%
Special	9,155	9,440	284	3%
Tameside Pupil Referral Service	2,517	2,538	21	1%
Resourced Units	260	127	(133)	(51)%
Independent Schools	1,824	2,105	281	15%
Non Maintained Special Schools	425	391	(34)	(8)%
Out of Borough (Pre 16)	445	721	276	62%
Post 16	2,378	2,448	70	3%
Hospital Education	66	76	10	16%
SEN Support Services	1,772	1,841	69	4%
Income Out of Borough	(408)	(250)	158	(39)%
Totals	19,925	21,313	1,388	(7)%
Funding Allocation				
Original Funding Allocation	19,324	20,337	1,012	5%
Academy Recoupment	(1,370)	(1,462)	(92)	5%
Additional Pressures Funding	517	517	0	0%
Total Funding	18,471	19,392	921	5%
Overspend before Balance b/w/d	(1,453)	(1,921)		
Projected in Year Growth		3,586		
Projected Overspend at Year End (Before Reserves)		(5,507)		
DSG Reserves		3,228		
Projected Overspend at Year End (after Reserves)		(2,279)		

5. 2019-20 GROWTH & PRESSURES

- 5.1 The LA has already seen a sharp increase in the number of EHCP's issued and this currently stands at 2.7% of the population aged 2-19 years at April 2019.
- 5.2 There has continued to be a significant numbers of referrals over the last 4 months, averaging at 45 per month. If growth continues throughout the financial year at current levels this would create a potential further pressure on the High Needs budget of which

could exceed £3.5m. We estimate that the number of plans we maintain will increase will by between 300 and 650, bringing the total number of EHCPs Tameside maintains to more than 1800.

5.3 Table 2 – EHCP pupils as % of total pupils

EHCP pupils as % of total pupils	No	Mid-2019 age 2-18 ONS population projection*	% of total Pupils
EHCP's Funded April 2018	945	47,002	2.01%
EHCP's Funded April 2019	1,267	47,002	2.70%
EHCP's Funded April 2020 (includes assumed Growth)	1,837	47,002	3.91%

* DSG allocation tables 2019-20

5.4 The projections do represent a significant increase and at this stage is only a projection based on previous months. It is also recognised these projections represent the maximum growth levels and work is continuing to review and monitor the growth and the budget will be closely monitored and updated.

5.5 If the 2019-20 projections materialise, the High Needs overspend of £5.51m would create a deficit of £2.156m on the total DSG. As a result, a deficit recovery plan would have to be submitted to the DfE outlining how we expect to recover this deficit and manage spending over the next 3 years. This will require discussions and agreement of the Schools Forum. The position will be closely monitoring throughout the year and updates will be reported to Members.

6. DSG BLOCK TRANSFER

6.1 Within the DSG allocation the Schools Block is ring fenced in 2019-20 but LA's retain limited flexibility to:

- Transfer up to 0.50% of their schools block funding into another block, with approval of their schools forum.
- Seek Secretary of State Approval if they require a movement of more than 0.50% by submitting a disapplication request.

6.2 It is anticipated based due to the current pressures on the High Needs Block and the potential growth that the LA will need to carry out a transfer from Schools Block into High Needs Block in 2020-21.

6.3 There are still a number of factors that could affect the 2020-21 funding settlement and these include the results of the call for evidence on SEN and the outcome of the Comprehensive Spending Review.

6.4 The LA is not expecting any further notifications until the Autumn term, but it is not expected that any potential allocation would in isolation fully resolve the High Needs pressure.

6.5 In preparation for the 2020-21 budget it is necessary to look at how any block transfer would be managed. To demonstrate the impact this will have on schools' funding a number of scenarios have been modelled. Please note: for modelling purposes the 2019-20 budget allocations have been used and will subject the change.

- 6.6 Table 3 shows the funding that could be transferred if a decision was made to move 0.50% or 1.00% of the current Schools Block.

Table 3:

DSG Schools Block Allocation for 2019-20	£162,368,712
Top Slice of 0.5% for High Needs Block	£811,844
Top Slice of 1% for High Needs Block	£1,623,687

- 6.7 In order to afford the movement between blocks but continue to allocate funding through the National Funding Formula (NFF), adjustments would be required to the current Minimum Funding Guarantee (MFG) and/or Gains Cap. Three scenarios have been modelled to provide some context on the impact to schools allocations which are detailed in **Appendix A**, along with some statistics on the number of schools affected (of a total of 92 schools) and the range of change to the total school allocation
- 6.8 All the proposed scenarios at **Appendix A** are affordable based on the 2019-20 figures. Due to the expected pressures currently in the system the 1% transfer would be necessary which means a 0% MFG and a gains gap of 0.85%. This means that the pupil led values remain the same as the previous year. The LA does have the ability in line with the DFE funding regulations, to use a negative MFG of up to -1.5% to balance the budget.

7. SCHOOLS FUNDING GROUP

- 7.1 The above figures were presented and discussed in detail with the School Funding Group (SFG) at the last meeting.
- 7.2 The Group discussed the 'call for evidence' and requested the LA share their intended response to the consultation with all schools.
- 7.3 The Group discussed the need to transfer funding from schools block to the high needs block and most of the members supported a transfer. It was also acknowledged that a 1% transfer would be needed and in principle supported scenario 3, subject to funding announcements and in year monitoring.

8. SUMMARY

- 8.1 The overspend on the high Needs Block in 2018-19 was £1.46m and will be offset by DSG Reserves.
- 8.2 The projected overspend in 2019-20 of £5.51m includes significant in year growth that will be continually reviewed and monitored.
- 8.3 DSG Reserves of £3.23m are available to support the projected deficit in 2019-20 but may not be sufficient to avoid an DSG deficit at the end of the financial year.
- 8.4 Any decision to move funding from the school block to the high needs block will be a one year decision taken by Schools Forum.

9. RECOMMENDATIONS

- 9.1 As set out at the front of the report.

APPENDIX A

Scenario 1: Top Slice 0.50% from Schools Block -

Maintain the current MFG at 0.50% but reduce the Gains Cap by 1.825%

This would result in no change to the MFG allocation but would see a reduction from the 3.4% Gains Cap (2.9% Gains Cap plus 0.5% MFG). This only affects gaining schools by reducing the gain they are set to receive i.e. they can only gain up to 1.575% (1.075% Gains Cap plus 0.5% MFG) of their pupil led funding and anything above this would be retained to allow a balanced budget.

The total funding transferred to the High Needs block would be **£0.812m** and have the following impact on Schools Block allocations:

Table 4:

Scenario 1	MFG		Gains Cap	
No. of Schools Affected	0		37	
Highest Reduction to Schools Total Allocation	N/A	N/A	£61,199	0.87%
Lowest Reduction to Schools Total Allocation	N/A	N/A	£943	0.11%
Average Reduction	N/A		£21,735	

Scenario 2: Top Slice 0.50% from Schools Block:

Reduce the current 0.50% MFG to 0% and reduce the Gains Cap by 0.70%

This would affect all schools currently receiving MFG or Gains Cap. All schools in receipt of MFG would be protected to receive the same level of pupil led funding as they did in 2018-19 and gaining schools would be allowed to gain up to 2.2% of pupil led funding.

The total transfer to High Needs Block would be £0.812m which would include reduction in MFG allocation of £0.360m and reduction in gains held back would be £0.452m.

The impact on the Schools block allocations is shown below:

Table 5: Impact of reducing the MFG from 0.5% to 0% and reduce the Gains Cap by 0.70%

Scenario 2	MFG		Gains Cap	
No. of Schools Affected	51		35	
Highest Reduction to Schools Total Allocation	£28,029	0.45%	£27,813	1.10%
Lowest Reduction to Schools Total Allocation	£1,810	0.37%	£269	0.02%
Average Reduction	£7,048		£12,901	

Scenario 3: 1% Top Slice from Schools Block

Reduce the current 0.50% MFG to 0% and reduce the Gains Cap by 2.05%

This would affect all schools currently receiving MFG or Gains Cap. All schools in receipt of MFG would be protected to receive the same level of pupil led funding as they did in 2018-19 and gaining schools would be allowed to gain up to 0.85% of pupil led funding.

The total transfer to Schools Block would be £1.624m made up of MFG contribution to the of £0.359m and gains held back would be £1.265m.

Impact on Schools Block allocations:

Table 6: Impact of reducing the 0.50% MFG to 0% and reduce the Gains Cap by 2.05%

Scenario 3	MFG		Gains Cap	
No. of Schools Affected	51		40	
Highest Reduction to Schools Total Allocation	£28,029	0.45%	£109,984	1.55%
Lowest Reduction to Schools Total Allocation	£1,810	0.37%	£1,794	0.20%
Average Reduction	£7,048		£31,612	