

Report to:	SCHOOLS' FORUM
Date:	22 October 2019
Reporting Officer:	Tom Wilkinson – Assistant Director Finance Tim Bowman – Assistant Director Education.
Subject:	HIGH NEEDS FUNDING UPDATE 2019-20
Report Summary:	A report on the 2019-20 High Needs Budget and options for managing the budget pressure in 2020-21
Recommendations:	<p>Members of Schools Forum are asked to:</p> <p>Note the projected outturn for 2019-20 of £5.38m that will be offset by reserves of £3.23m leaving an overall deficit of £2.16m.</p> <p>Note the position on High Needs budget for 2020-21 is forecasting a deficit of approx. £4.65m to £5.23m after the additional funding included in the recent announcements.</p> <p>Agree in principle to 0.50% transfer from schools block to high needs block in 2020-21 (at a minimum).</p> <p>Agree in principle to support a disapplication request to the Secretary of State to transfer 1.00% from the schools block to the high needs block (if required) following further funding announcements expected October 2019.</p>
Corporate Plan:	Schools spending support 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. There is a statutory duty to use resources efficiently and effectively against priorities and to achieve a balanced budget. In noting the report Members should ensure that robust challenge is factored into the reporting mechanism especially given the current known deficit.
Risk Management:	The correct accounting treatment of the Dedicated Schools Grant is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review.

Access to Information:

NON-CONFIDENTIAL

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 – Finance Business Partner by:



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1. INTRODUCTION

- 1.1 This paper provides an update on the high needs budget current budget position for 2019-20 (as at the end of summer term). It also provides some detail with regards to the recent government spending announcements and the potential impact on the Tameside MBC position.

2. BUDGET POSITION UPDATE

- 2.1 Table 1 below shows the revised forecast for 2019-20, taking into account actual Growth and real time movement funded at the end of summer term 2019. The forecast in the top half of the table includes known plans and costs for this financial year i.e. this assumes nothing else changes in terms of existing plans and funding. A further estimate of in year growth is made in the section headed 'Projected in Year Growth' from the beginning of the year, which adds a further £3.59m being incurred across the financial year. Actual costs for the summer term are now included in the top part of the table in the revised forecast. The total £1.92m projected represents the expected demand and price increase for the remainder of the financial year.

Table 1 : High Needs Budget Position 2019-20

High Needs Budget Position (Summer 2019)	2018-19 Final Position	2019-20 Original Forecast	2019-20 Revised Forecast	2019-20 Varaince
Mainstream	£1,492,038	£1,877,167	£2,170,669	-£293,502
Special	£9,155,266	£9,439,534	£10,098,166	-£658,632
TRPS	£2,516,959	£2,537,744	£2,534,746	£2,998
Resourced Units	£260,165	£126,674	£181,171	-£54,497
Independent Schools	£1,823,699	£2,105,074	£2,186,155	-£81,081
NMSS	£424,688	£391,049	£362,381	£28,668
OOB (Pre 16)	£445,069	£721,042	£933,370	-£212,328
Post 16	£2,377,776	£2,447,576	£2,766,570	-£318,994
Hospital Education	£65,538	£75,750	£75,750	£0
SEN Support Services	£1,772,077	£1,841,280	£1,790,680	£50,600
Income OOB	-£408,361	-£250,177	-£315,784	£65,607
Totals	£19,924,914	£21,312,713	£22,783,874	-£1,471,161
Original Funding	£19,324,350	£20,336,633	£20,264,633	£72,000
Academy Recoupment	-£1,370,000	-£1,461,667	-£1,461,667	£0
Additional Pressures Funding	£517,068	£517,068	£517,068	£0
Total Funding	£18,471,418	£19,392,034	£19,320,034	£72,000
Overspend before Balance b fwd	-£1,453,496	-£1,920,679	-£3,463,840	£1,543,161
Projected in Year Growth:				
Summer Term Real Time		£1,662,282	£0	£1,662,282
Autumn Term Real Time		£1,099,279	£1,099,279	£0
Spring Term Real Time		£824,459	£824,459	£0
		£3,586,020	£1,923,738	£1,662,282
Projected Overspend at Year End (Before Reserves)		-£5,506,699	-£5,387,578	-£119,121
DSG Reserves		£3,227,681	£3,227,681	£0
Projected Overspend at Year End (after Reserves)		-£2,279,018	-£2,159,897	-£119,121

- 2.2 The revised forecast is projecting an in year deficit of £5.39m on the high needs block and assumes the current reserves carried from 2018-19 of £3.23m will be used to offset this deficit leaving an overall deficit of £2.16m which will need to be addressed.
- 2.3 Growth in EHCP's seems in line with projected growth at the beginning of the year. The number of EHCP's issued during the summer term has continued at an average of 30 per month taking the total to 1,439 currently funded at the start of the Autumn term.
- 2.4 Assuming growth continues at an average of 30 per month it is estimated by the end of the financial year numbers will rise to approx. 1,649.

3. GOVERNMENT ANNOUNCEMENTS

- 3.1 The government's has made a commitment to a £7.1bn increase in funding for schools by 2022-23. The Schools Resources for the next 3 years are outlined in the extract below; the announcement confirmed the increase did not include the teacher's pension increase of £1.5bn this would be in addition.

Table 2: Government Funding Announcements for Schools 2020-21

Table 2.3: Schools settlement

	£ billion			
	2019-20	2020-21	2021-22	2022-23
Schools Resource DEL excluding depreciation	44.4	47.6	49.8	52.2
<i>of which pensions funding¹</i>	0.9	1.5	1.5	1.5
<i>of which Spending Round 2019 cash uplift compared to 2019-20 funding levels²</i>	n/a	2.6	4.8	7.1

¹ The rise in pensions funding from £0.9 billion in 2019-20 to £1.5 billion from 2020-21 onwards reflects that in 2019-20 the government begins paying pensions compensation from September 2019, when the costs start to accrue. From 2020-21 the funding covers the full year cost.

² The core 5-16 schools budget, excluding pensions compensation funding, in 2019-20 is £43.5 billion. *Spending Round 2019 cash uplift compared to 2019-20 funding levels* is calculated by comparing the schools resource DEL for years 2020-21 onwards, excluding the pensions compensation funding, to this baseline.

- 3.2 The announcements confirmed that out of the £2.6bn in 2020-21, £700m would be allocated to the High Needs Block. The funding floor would be set at 8% so all LA's would see an increase of at least this percentage (taking into account changes in the 2-18 population). This is based on the 2019-20 high needs allocation including the additional £125m.
- 3.3 The gains cap will be set at 17%, allowing LA's to see an increase up to this percentage. Tameside have previously had a cap on the High Needs national funding formula so should see an increase above 8%. However, it is still unclear at this stage how this will be allocated. It could be allocated in a number of ways and these are outlined below in Table 3, with NW allocations for information.

Table 3: Potential Distribution on £700m to Tameside & Neighbouring LA'S

Local Authority	Allocated on Additional £125m Funding basis	# £700m	Allocated on Total HNB basis	** £700m
Knowsley	0.27%	1.925	0.32%	2.266
Liverpool	0.78%	5.492	0.79%	5.532
St Helens	0.30%	2.131	0.36%	2.488
Sefton	0.45%	3.148	0.45%	3.147

Wirral	0.57%	3.987	0.59%	4.116
Bolton	0.56%	3.941	0.56%	3.911
Bury	0.36%	2.526	0.49%	3.406
Manchester	1.02%	7.173	1.23%	8.58
Oldham	0.50%	3.482	0.53%	3.685
Rochdale	0.43%	3.026	0.38%	2.655
Salford	0.47%	3.268	0.53%	3.685
Stockport	0.53%	3.709	0.49%	3.459
Tameside	0.41%	2.896	0.33%	2.317
Trafford	0.48%	3.327	0.43%	2.98
Wigan	0.57%	3.98	0.47%	3.317

allocated by Additional £125m– This is allocating the £700m increase on the same basis as the additional £125m HNB funding was allocated in 2019/20.

** Allocated on Total HNB basis – This is allocating the £700m increase in line with the same allocation of the total HNB funding.

- 3.4 Assuming one of these allocations methods was used; Tameside could receive between £2.32m and £2.90m. This allocation would help contribute to close the gap on high needs funding however this will not resolve our overspend position. Table 4 below outlines our current year spend with the potential allocations.

Table 4: Potential Impact on Tameside High Needs Budget Position

	2019-20 Current Year £m	2020-21 Allocated on Additional £125m Funding £m	2020-21 Allocated on Total HNB basis £m
Funding Post Recoupment	£18.80	£18.80	£18.80
Additional HNB 19/20	£0.52	£0.52	£0.52
Additional HNB 20/21	£0.00	£2.90	£2.32
Total Funding	£19.32	£22.22	£21.64
Current Forecast Spend	£22.78	£22.78	£22.78
Estimated 19/20 Growth	£1.92	£1.92	£1.92
Total Estimated Spend	£24.71	£24.71	£24.71
Annual Funding Gap	(£5.39)	(£2.49)	(£3.07)
Deficit Brought Forward	£0.00	(£2.16)	(£2.16)
Total Deficit	(£5.39)	(£4.65)	(£5.23)
Contribution from DSG Reserves	£3.23	£0.00	£0.00
CFWD Deficit to Recover	(£2.16)	(£4.65)	(£5.23)

- 3.5 Whilst the additional funding is gratefully received the allocation would still leave an annual gap of between £2.49m and £3.07m per annum. There will also be a carry forward deficit to recover from 2019-20 to recover of £2.16m which would give between a £4.65m and £5.23m deficit to address in 2020-21. Spending levels for 2020/21 are currently expected to be similar to 2019/20.

4. TRANSFER TO HIGH NEEDS BLOCK

4.1 At Schools Forum in June 2019 we discussed the options available to the LA to support the deficit on High Needs Budget, see below:

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.

4.2 Based on the current schools block allocation for 2019-20, 0.50% would equate to £0.811m and 1.00% would equate to £1.624m. These figures may increase following the recent announcements however it is unlikely even the 1% transfer will be sufficient to offset the annual gap of approx. £2.49m to £3.07m forecast

4.3 Further announcements are expected this month and at this point further modelling will take place to review the figures and calculate what the shortfall on the high needs budget is and also the impact of a transfer on all schools budgets.

4.4 Based on the current projections the LA will be required to submit a Disapplication Request to the Secretary of State by the 28 November. The proposal to transfer funding will be subject to:

- A consultation process with all schools and academies
- Presentation of the impact of the intended transfer on individual school budgets
- The strategic high needs plan
- A full breakdown of the budget pressures that have led to the requirement to transfer
- A strategic financial plan setting out how high needs expenditure can be sustainable longer term
- Schools Forum approval for a one-off transfer for 2020-21

4.5 In the interim we are asking Schools Forum members to agree in principle, at minimum the 0.50% transfer and if required the 1% transfer will need to take place. To facilitate the consultation and discussions with Schools Forum an additional meeting has been scheduled for the 26 November 2019.

5. STRATEGIC FINANCIAL PLAN

5.1 As Schools Forum is aware a SEND Forward Plan document was discussed at the last Headteachers briefing, and has been shared with all schools and academies for consideration, and asking for feedback on the proposals.

5.2 Alongside this review we will have to look at all other spend going through the High Needs Block, which may include

- A review of top-up rates paid to schools and academies,
- We will also look to SEND services funded through the HNB to look at the support provided to schools and the current service delivery.
- Consideration of shared support service models to see if co-investment models with other neighbouring LA's can realise savings

5.3 We will ask the Schools Funding Group to lead discussions on these options on behalf of the Schools Forum.

5.4 In addition to this the LA have established a Head of Commissioning post in Children's Services, who will be looking at all the Commissioning of Children's and SEND placements across the borough, the Independent Sector and Out of Borough Schools.

6. RECOMMENDATIONS

6.1 As set out at the front of the report.