

West Northants Schools Forum: 18 January 2022

Agenda Item 8

High needs block recovery plan

1 Background

- 1.1 This report sets out the current deficit in the high needs block (HNB) of the dedicated schools grant (DSG). In summary, it shows that, without significant action, the forecast deficit at the end of the current financial year – 2021/22 – will increase to £8.4 million by the end of the 2025/26 financial year (f/y).
- 1.2 While the HNB is one of the two blocks that are managed directly by the council (the other is the central block), proposals for both these blocks are made to schools forum for its agreement. Consequently, members of schools forum should be informed about the nature and scope of the structural overspend, the recovery plan that has been put in place and progress against the plan. Accordingly, this report proposes an efficient way of reporting regularly to schools forum.
- 1.3 The report will cover the:
 - current position of DSG and high needs budget update;
 - HNB recovery plan and spreadsheet setting out the forecast overspend between the end of this financial year and 31 March 2026, with currently agreed savings and cost-avoidance; and
 - next actions.
- 1.4 Schools forum members are asked to note that, given the level of overspend projected by the end of the 2025/26 f/y, the assistant director will report to a local authority member and officer group, which will be chaired by the lead member for children services, cllr. Fiona Baker and include the chief executive, the director of children services and director of finance. All the lead officers for the tasks in the action plan will attend each meeting and report on progress. The group's meetings will be scheduled a month ahead of each of the five meetings of schools forum across each financial year.

2 The structural overspend

- 2.1 The attached spreadsheet (see **attachment 1**) sets out officers' current estimate of the increase in the projected deficit between the current f/y and the end of the 2025/26 f/y, with assumptions that:
 - the overspend at the end of the current financial year remains at the £2.5m currently projected, and that this is structural – that is to say it will occur each year until £2.5 m is saved (or costs are avoided each year);
 - schools forum agrees to fund specialist services, costing £2.1m in future years, or that another means of cost avoidance for the LA is agreed and implemented;
 - the annual cost of commissioned alternative provision (AP) places is reduced by that least the part and full-year cost currently forecast;
 - the LA does not ask for a disapplication of 0.5 per cent of the DSG, as currently agreed by schools forum, as long as the disapplication to fund specialist services is agreed; and
 - a reduction in early years' high needs funding is sustainable.

3 The financial recovery plan

3.1 Attachment 2 contains the action plan, which aims to address the structural deficit and bring the HNB back into balance with five years. While it is the case that the savings / cost avoidance proposals are currently insufficient to prevent the forecast increase in the structural deficit by 31 March 2026, it must be noted that actions against six of the eight task areas have been put in place.

3.2 The eight tasks, which align with the savings lines (lines 3 to 10) comprise:

- the 'general deliverable' – this is broadly the outcome required;
- specific actions – that is, defined, clear and measurable actions;
- success criteria – that indicate whether the action has been successfully completed;
- the deadline date for the completion of the task;
- the lead officer, who is accountable for the specified action; and
- a 'red / amber / green (RAG) rating for each separate deliverable.

3.2 There are four lead officers, whose initials are against each action, with a key to the initials at the end of the action plan. All actions are being progressed; however, the timing of certain actions – for example, the development of resourced places – may need to be revised.

3.3 To summarise the current progress and RAG rating for each task:

- task one – what is 'ordinarily available' without the need for additional funding in mainstream schools: this is currently **red** rated: while we have appointed a consultant to ensure there is the capacity to undertake the work, it has not yet started;
- task 2 – the commissioning of resourced places in mainstream schools: xxx places have been agreed to meet projected need in x primary and x secondary schools, and capital funding is available for half the places needed (**red** rated as funding for all places needed is not in place);
- task 3 – work has started on the identification of an appropriate site / buildings and potential capital funding (**red** rated – no land, buildings or funding have been located / agreed);
- task 4 – banding: work to commence in January 2022 (**red** rated as work has not been scheduled and started);
- task 5 – funding of specialist services: **green** in terms of schools forum agreement; **amber** for final sign-off pending DfE agreement; and
- task 6 - reduction in AP places (currently WN council does not use all the places funded in primary or secondary AP): **amber** as proposals have been made to the ESFA but not finalised.

4 ESFA support for council with high deficit levels

4.1 The hyperlink ([here](#)) contains letters to the five LAs listed in attachment 3 under its dedicated schools grants 'safety valve' arrangement. The letters set out the financial support given by the DfE to five top-tier local authorities through its very high deficit intervention fund.

4.2 The table in attachment 3 shows the deficits in the five LAs that have support agreed very high – between 65 and 93 per cent of the HNB budgets, compared with 4.2 per cent in West Northants (or its share of the NCC deficit) the same year, 2020/21. However, by the end of the 2024/25 f/y, the projected deficit here is 16.5 per cent, and after DfE support, only two of the five are projected to have a higher deficit. Moreover, by the end of the next year, the deficit here is projected (without further intervention work) to be 12.5 per cent.

5 Recommendations for schools forum

5.1 Schools forum members are asked their preference for LA officers to report progress against the recovery plan to its members. This could be, for example, through the creation of a special purpose sub-committee, or through regular reports to schools forum, or both.

6 Next steps

6.1 The next steps depend on the feedback given by schools forum voting members at this meeting on its preferred way forward, noting the officers will report to a local authority board as set out in paragraph 1.4 above.

7 Financial implications

7.1 The financial implications should a recovery plan not be put in place are summarised in the spreadsheet in attachment 1 to this report. However, schools forum is asked to note that budgets for the new organisation are complex and still settling, as they are disaggregated County Council budgets, therefore, the detailed budgets and forecasts are subject to continual review and challenge which may result in changes in forecast and medium term financial projections.

7.2 Moreover, the ESFA has not yet agreed the 0.68 per cent disapplication agreed by schools forum in December. Should it not do so (and even if a 0.5 per cent disapplication is agreed) the outturn at the end of each financial year in the savings table will increase by £629,000.

8 Legal implications

8.1 The high needs block is allocated to local authorities by the DfE, through the ESFA. While formally the responsibility of the LA, ensuring the sustainability of the block is beneficial to all local settings, schools and colleges.

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