

West Northants Schools Forum: 5 July 2022

Agenda Item 5

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). The report includes the actual increase in budget for the current financial year. This was originally eight per cent but was later increased by four percentage points by Government with an additional supplementary grant, so the budget increased by 12 per cent – almost £6.7m.
- 1.2 The report also shows the likely increase for the next three financial years, which is estimated by the ESFA to be three per cent each year. The HNB funding, before any block movements was £54.2 million in 2021/22. This year it is £60.9 million – a 12 per cent increase – with a total forecast further uplift of £7.6 million by 2026/27. By 1 April 2026, the budget is forecast to be £68.6 million (provided there is a three per cent uplift annually).
- 1.3 Additional expenditure across the medium term is extremely difficult to predict, and officers are currently working on refreshing demographic growth assumptions for new educational placement demand, and inflationary pressures relating to existing educational placements.
- 1.4 While the HNB is one of the two blocks that are wholly 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.
- 1.5 The report will cover the:
 - current position of DSG and high needs budget update;
 - the HNB recovery plan progress against actions; and
 - next actions.
- 1.4 Given the level of volatility and risk associated with HNB expenditure, it is proposed that schools forum should receive an update at every meeting.

2 The revised expenditure and income forecast

- 2.1 The provisional outturn from 2021/22 shows a £1.1m overspend in the HNB, down from the projected £2.5 million forecast overspend reported to January schools forum (based on period 8) - a significant reduction, meaning the base position for subsequent years improves.
- 2.2 The indicative funding increases as indicated by the ESFA are 3 per cent annually (circa £1.9 million annually on average) over the medium term.
- 2.3 The current net uplift (new EHCPs annually minus those ceasing or no longer the responsibility of WNC) is estimated at 300 net new plans annually. Detailed modelling of the financial impact of part and full year effects of this projected growth, alongside the new resourced provision places coming online will be completed as part of the 23/24 budget setting process commencing this summer. As an

initial indication, the full year effect of the 300 EHCPs of an illustrated mix of mainstream (50%), resourced (10%), special (20%) and independent (20%) provision would be over £3 million.

- 2.4 The other significant cost is in the implementation of a banding system so that children with similar needs attract the same top-up, whatever the (state) provision.
- 2.5 These factors therefore present the biggest risk to the financial sustainability of the HNB, with the annual cost of demand far outstripping the projected growth in funding – albeit possibly at a low level compared with other LAs in England.
- 2.6 LA modelling will also assume:
- schools forum continues to support the costs of specialist services, or we move to a commissioned model;
 - 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
 - the issue with AP funding is resolved, and cost efficiencies are made in this area.

3 The financial recovery plan

3.1 Appendix A contains the action plan, which aims to address the structural deficit and bring the HNB back into balance within 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 2027, 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 has been the focus of recent project work with SENCOs, during the course of which written guidance was drafted – more recently one lead and three other SENCOs have been seconded to help schools to develop their graduated approach and to be clear what should be ‘ordinarily available’ to pupils without support additional to the school’s own resources;

RAG status: all the work required in terms of the actions have been completed or are planned – the SENCO secondments are starting and conferences took place in March and April. The reason the RAG rating is **amber** for all is that work is still in progress.

- task 2 – the commissioning of resourced places in mainstream schools and special school expansions: 248 places have been agreed to meet projected need, with six primary or special schools providing primary places and five secondary or special schools providing secondary places: capital funding of £7.8m is available for all the places needed.

RAG status: The programme has been designed and has started with all but the Northgate Arts college scheme scheduled to commence taking entry-year pupils at least from September 2022. Therefore, the first two actions are **green**, but we need to wait to assess the impact of the expansions in terms of quality of provision and cost before assessing the last two actions as 'green'.

- task 3 – a site has been identified and the procurement stage has started;

RAG status: this is **amber** as final agreement on funding the programme, and formal agreement from the trust that is the landowner of the site, are in progress.

- task 4 – banding: work has not started due to a delay in recruiting the officer who will be designated to lead this work;

RAG status: **red** rated as work has not been scheduled – it is intended that the new banding scheme is in place for the beginning of the 2022/23 financial year.

- task 5 – funding of specialist services: this work was completed in January 2022, when schools forum agreed the proposal;

RAG status: this is **green** as the services are funded through disaggregation for 2022/23. However, this is an **annual vote**, and therefore this task needs to be repeated annually.

- task 6 - reduction in AP places: the places to be commissioned in the school and academy trust financial year (September 2022 to August 2023) were agreed with the two providers (CE and The Spires) in November 2021, and subsequently endorsed by the ESFA.

RAG status: this is **amber** as there is a risk that has arisen in terms of secondary AP provision – there is a dispute with North Northamptonshire about place funding. This could increase the cost to the WN HNB for the current financial year.

- Task 7: the first stage of the work necessary to implement new criteria for non-EHCP high-needs funding has started with the secondment of a team of four SENCOs (one lead SENCO seconded for two days a week and three seconded for a day a week, from term 5 to the end of term two in the 2022/23 school year. Workshops the purpose of which was developing criteria for what should be 'ordinarily available' in schools took place in term four.

Rag status: This is **amber** for the SENCO work and for the 'ordinarily available' work, but red for the agreement of schools forum for criteria to be used.

- Task 8: this work has not started, and it is possible we will not undertake this work.

RAG status: **Red**.

4 Recommendations for schools forum

4.1 Schools forum members are invited to:

- comment on this report; and
- confirm they want a progress report to each schools forum meeting.

5 Next steps

5.1 The next steps depend on the feedback given by schools forum voting members at this meeting on its preferred way forward.

6 Financial implications

6.1 The financial implications should a recovery plan not be put in place were presented to May schools forum, and will be refreshed as part of the 23/24 budget setting process commencing this summer. An update will be provided to October Schools Forum. The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where they believe that the LA are not taking sufficient action to address the situation.

7 Legal implications

7.1 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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