

Report of the Director of Children and Families Services

Report to the Leeds Schools Forum

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Subject: Dedicated Schools Grant High Needs estimates 2020/21 and 2021/22

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1 Summary of main issues

- 1.1 This report is to inform members of Schools Forum of the estimated position in 2020/21 for the High Needs Block (HNB) following recent work identifying pressures and potential savings as reported to Schools Forum in recent months. It also provides an early estimate of the financial position for 2021/22 and that for both years there is an estimated funding gap.
- 1.2 An indicative HNB grant allocation has been issued by the Government for 2020/21 only. Based on this allocation and an estimate of the remaining elements that are still to be confirmed, there is expected to be an increase in funding of £12.846m. However there is a risk that AP Free School places in the October census could reduce the amount of grant received.
- 1.3 Although a HNB grant allocation has not been announced for 2021/22, an estimate has been made of the grant due based on the overall national increase in the combined schools and high needs block of 5.16%. This gives an increase of £4.424m, though there is a great deal of uncertainty over this.
- 1.4 The projected costs for future years are based on the existing provision and level of service continuing adjusted for the expected increase in pupil numbers and complexity and any other unavoidable cost pressures.
- 1.5 Schools have been consulted on transferring £2.65m from the schools block to the HNB and there is also a proposal to transfer £250k from the central school services block. The response to this consultation is included in the School Funding Proposals report later in this agenda.
- 1.6 Taking into account the increase in grant and assuming the request to transfer funding from the schools block and the central school services block is agreed, the increases in the number and complexity of pupils requiring support and

making provision to repay the expected deficit balance from 2019/20 means that overall there is a potential shortfall in funding of £1.907m for 2020/21 and £7.646m for 2021/22.

2 High Needs Grant Income

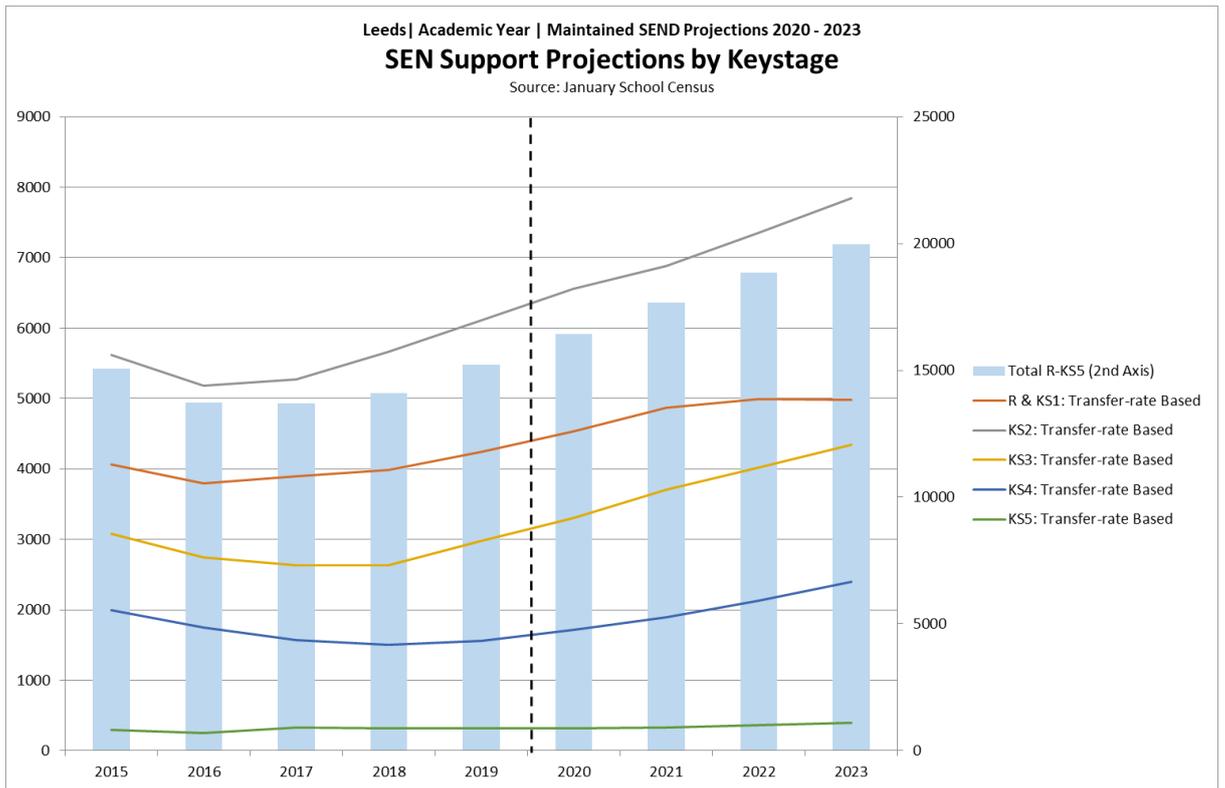
- 2.1 In October 2019 the ESFA issued an indicative HNB allocation for 2020/21. However, some of the allocation is still to be confirmed, with the final element due in July 2020. Although an overall funding increase for the combined schools block and HNB has been announced for 2021/22 the amount for the HNB has not been confirmed. The estimated grant income is as follows:

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 |
|--|-----------------|-----------------|-----------------|
| High Needs Block baseline | 72,889 | 85,735 | 90,159 |
| Places funded directly by the ESFA | (8,871) | (8,824) | (9,416) |
| Funding transferred from Schools Block | 1,500 | 2,650 | |
| Funding transferred from CSSB | 800 | 250 | |
| | <u>66,318</u> | <u>79,811</u> | <u>80,743</u> |

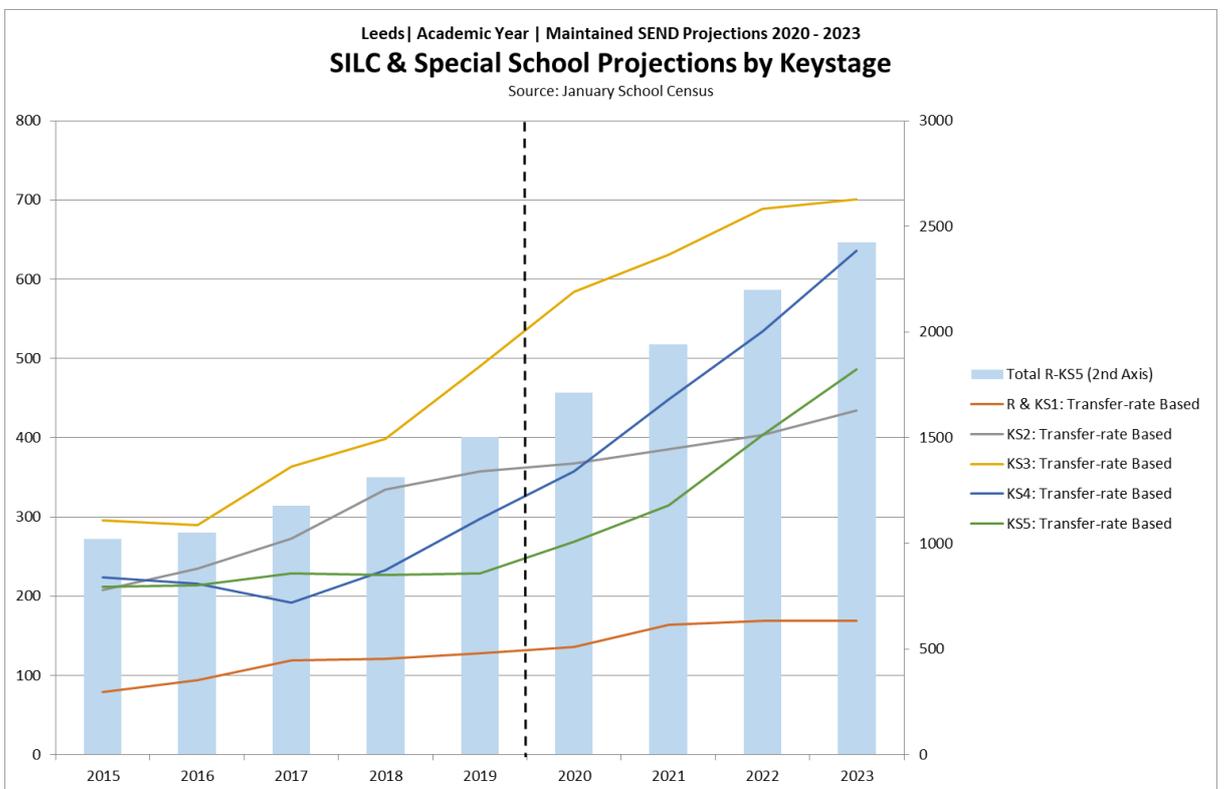
- 2.2 There is projected to be an increase in the baseline funding of £12.846m in 2020/21 compared to 2019/20. However, the funding due to Leeds is still subject to a cap. If this cap was not applied a further £4.68m would be due in 2020/21.
- 2.3 Although the HNB increase for 2021/22 has not been announced, the overall increase of £2.2bn for the schools block and high needs block combined represents a 5.16% increase compared to 2020/21. Therefore at this stage it has been assumed that the baseline funding for HNB will increase by the same percentage.
- 2.4 Changes have been made in the deductions for places directly funded by the ESFA as place funding for post 16 high needs places will no longer be deducted from the DSG and paid as a separate post 16 grant. In addition, it is estimated that there will be a net increase in post 16 places of approximately 100 places each year.
- 2.5 Schools have been consulted on transferring the maximum allowed 0.5% (£2.65m) from the schools block to the high need block for 2020/21. Although there has been a reduction in grant for the Central Schools Services Block (CSSB) it is expected that there will be £250k available to transfer to the HNB. At this stage it is not certain that there will be the ability to transfer funding between blocks beyond 2020/21 and so this has not been assumed for 2021/22.

3 High Needs Expenditure

- 3.1 Demand for SEND places and funding is expected to continue to grow over the coming years. Work completed in the Children & Families directorate shows the following actual and projected numbers of pupils requiring SEN support by key stage:



3.2 Projections on the demand for special school places also shows a significant increase as detailed below:



3.3 These projections have been used as the basis for calculating the increased expenditure to the HNB. The number and percentage increase for each academic year are as follows:

| | 2020 | | 2021 | |
|-----------------------------------|--------|--------|--------|--------|
| | Pupils | % | Pupils | % |
| Pupils in special school settings | 212 | 14.11% | 228 | 13.30% |
| All other pupils | 1,136 | 7.95% | 1,029 | 6.66% |
| All SEND pupils | 1,348 | 8.53% | 1,257 | 7.33% |

- 3.4 SILCs and RPs costs are based on estimated pupils at April 2020 at the current average top-up. Post 16 costs are based on 2019/20 projections adjusted for the estimated increase in places each September at the average top up rate for post 16 pupils. The remaining top up estimates are largely based on 2019/20 projections increased for expected increase in pupils requiring SEN support as detailed in paragraph 3.3.
- 3.5 The costs of the expected increase in special school setting places is shown separately in the table below. The estimates currently assume that all of the additional pupils are placed in existing SILCs or RPs, based on the current average per pupil funding in those settings. However it is not certain that this will be the case, so if some of these pupils need to be placed in out of area provision then based on an average of £60,000 per place per year, the actual costs could be considerably higher.
- 3.6 Following work carried out in October 2019, it is expected that funding due to schools who have more high needs pupils than the Notional Inclusion Budget allows for will increase significantly.
- 3.7 As part of the HNB grant calculation, there is an increase of 8% for hospital services. It has been assumed that this increase will be passed on in full to the service as it has not been eligible for Teacher's Pay Grant or Teacher's Pension Grant funding.
- 3.8 The services directly managed by Children & Families have either remained the same or have been adjusted for unavoidable increases as a result of pay and pension increases. For services with teachers, there has not been a separate Teachers Pay Grant allocation and additional funding for Teachers Pension Grant is not guaranteed.
- 3.9 As part of the conditions of grant for DSG, if there is a cumulative deficit of more than 1% of the overall DSG, the local authority is required to submit a recovery plan to bring the DSG back into balance within 3 years. For Leeds, this value is expected to be approximately £6.5m. Although the projected deficit at the end of 2019/20 is not expected to trigger the requirement for a recovery plan, it is good practice to budget to repay the deficit brought forward. A suggested period could be within 3 years to be consistent with the grant conditions. This means a budget of £1.4m will be required in each of the next 3 years, although based on current cost projections it is probable that this is not affordable so a longer repayment period could be considered.
- 3.10 As a result of all of these issues, the projected expenditure is as follows:

| | 2019/20 Projection £000 | 2020/21 Estimate £000 | 2021/22 Estimate £000 |
|--|-------------------------------|-----------------------------|-----------------------------|
| Passported to Institutions | | | |
| SILC and Resourced Provision Places | 12,414 | 14,034 | 14,034 |
| Outside and external residential placements | 8,921 | 8,954 | 9,373 |
| Alternative Provision and AIP's | 5,256 | 5,256 | 5,256 |
| SEN Top-ups to Institutions | 39,423 | 41,534 | 43,446 |
| Mainstream additional places (£6k blocks) | 528 | 751 | 801 |
| Increase in special school places | 0 | 2,338 | 6,521 |
| Education provision for mental health beds | 100 | 100 | 100 |
| Commissioned Services | | | |
| Hospital & Home Tuition | 1,605 | 1,724 | 1,724 |
| PD & Medical Service | 97 | 97 | 97 |
| Directly Managed by Children & Families | | | |
| Autism support | 437 | 451 | 464 |
| Children missing out on education | 261 | 441 | 453 |
| Management of AP | 110 | 110 | 110 |
| SEN adaptations | 141 | 141 | 141 |
| SEN Inclusion Team | 1,240 | 1,290 | 1,320 |
| Sensory Service | 2,308 | 2,415 | 2,467 |
| Virtual school (Children Looked After) | 124 | 124 | 124 |
| Other costs | | | |
| Repayment of deficit reserves | 0 | 1,400 | 1,400 |
| SEMH prudential borrowing costs | 558 | 558 | 558 |
| | 73,523 | 81,718 | 88,389 |

3.11 There are a number of areas where there is a further risk of additional costs. At this stage many of these costs are uncertain or the impact is unknown. These include (but are not limited to) the following:

- Any increase in costs as a result of the outcome of the specialist provision funding review.
- Any pre-opening set up costs for a new special free schools.
- Any potential increase in costs if the request to disapply the minimum funding guarantee regulations in high needs settings is not successful.

3.12 It is acknowledged that it is possible that some of the additional places in specialist settings identified may be pupils who are already in mainstream schools in Leeds or in outside placements. If this is the case then the costs identified above may be reduced. At this stage it is not possible to quantify this in future years.

4 Overall Position

- 4.1 The overall in year impact of the assumptions detailed above is that there is projected to be overspends in each of the next 3 years as follows:

| | 2019/20 Projection £000 | 2020/21 £000 | 2021/22 £000 |
|--------------------------|-------------------------------|-----------------|-----------------|
| High Needs Block Grant | 66,318 | 79,811 | 80,743 |
| Projected expenditure | 73,523 | 81,718 | 88,389 |
| In Year Shortfall | 7,205 | 1,907 | 7,646 |

These totals do not include the additional areas of risk described in paragraph 3.11.

- 4.2 As detailed in the 2018/19 outturn report, there is a surplus balance on general DSG brought forward into 2019/20 of £1.097m. After taking into account anticipated variances on other DSG blocks, the DSG deficit is expected to be:

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 |
|---|-----------------|-----------------|-----------------|
| Balance brought forward | (1,097) | 4,164 | 3,671 |
| Budgeted contribution to reserves | | (1,400) | (1,400) |
| In year shortfall on the HNB | 7,205 | 1,907 | 7,646 |
| Estimated underspends from other blocks | (1,944) | (1,000) | (1,000) |
| Cumulative DSG (surplus)/deficit | 4,164 | 3,671 | 8,917 |

- 4.3 As part of the overall financial responsibility to set a robust budget, further work is ongoing to identify potential actions for consideration to enable a balanced budget for 2020/21 and 2021/22 to be set. A further report will be brought to Schools Forum to inform members of the results of that work and the options available.

5 Recommendations

- 5.1 Schools Forum is requested to note the contents of this report.