

Item 8

TITLE OF REPORT: High Needs Block Spending Pressures

Purpose of the Report

To inform Schools Forum of the anticipated pressures on the Dedicated Schools Grant High Needs Block (HNB) and seek approval to top-slice 0.5% from the Schools Block to the HNB for 2020/21.

Background

The HNB has been under pressure for a number of years. Since the Special Educational Needs and Disabilities (SEND) reforms of 2014, HNB spending has increased from £20.5m in 2015/16 to an estimated £24.6m in 2019/20, an increase of 20%. The HNB moved from an underspend of £0.2m in 2015/16 to an overspend of £1.8m in 2018/19. For 2019/20, Schools Forum agreed to top-slice 0.5% (£0.551m) from the Schools Block to the HNB which has reduced the expected overspend on the HNB to c£1.4m.

Since the SEND reforms:

- Education, Health and Care Plans (EHCP)/ SEN Statements have risen from 852 in 2015 to 1,300 presently, an increase of 53%;
- Spending on HNB has increased by 20% since 2015 whilst DSG HNB funding has increased by 9% over the same period (excluding any top-slice from Schools Block) and includes additional responsibilities, eg post 16 SEND, which used to be funded by the Learning Skills Council;
- The number of children in special schools has risen placing significant pressure on the HNB - from January 2009 the number has increased from 358 to 641 in October 2019;
- Special schools have seen no increase in per pupil funding since 2013;
- Spending on the independent sector has risen from £2.3m to an estimated £2.8m in 2019/20, an increase in excess of 20%;
- The number of permanent exclusions is rising resulting in an increase in spending on Alternative Provision (AP), estimated at £0.6m in 2019/20 for children who are reviewed by the Education Inclusion Panel (EIP) but not placed in the Pupil Referral Unit (PRU);
- The budget for the PRU has increased from £1.8m in 2014/15 (at which point it would have included the above children now in AP) to an estimated £2.0m for 2019/20;
- DSG reserves have fallen from £3.4m at 01/04/2016 to an estimated £0.288m at 31/03/2020;
- The SEND team within the Council is under significant pressure dealing with the number of EHCP and ensuring the appropriate level of support is in place to meet children's needs;
- Although not funded from DSG, the Council has seen Home to School transport spending for children with SEND increase from £1.9m in 2015/16 to £2.4m in 2019/20, an increase of 26%;
- The historic commitments will be reduced by 20% in line with DfE policy and no local authority will lose more than 0.5% of its 2019/20 schools block allocation. This policy will result in an estimated reduction of funding of £0.19m.

It is assumed that there will continue to be an upward trajectory of demand for SEND. A multi-agency group is developing a SEND strategy for Gateshead which will drive future HNB spending and ensure appropriate resources are in place to deliver the strategy and meet the needs of children within the funding available. The Council's SEND team is restructuring to more effectively meet the challenges being faced around SEND.

Estimated financial implications for 2020/21

The HNB funding calculated on the current basis is expected to increase by £2.241m for 2020/21 to £25.130m. Funding beyond 2020/21 is unknown.

It is proposed that special schools' budgets are increased by 1.84% in line with mainstream schools to support them with increasing costs.

In previous years, overspends have been funded from DSG reserve - in the past most of the reserves were generated from underspends on the HNB. As reported elsewhere on the agenda, there is forecast to be minimal reserves remaining at 31/03/2020. Any underspends on Early Years need to be directed into settings via the Inclusion Fund.

Indications are that spending on HNB will continue its current trajectory without some intervention due to the increasing number of pupils requiring support and rising costs. The on-going pressures in 2019/20 after removing the one-off top-slice total £1.9m. Additional pressures anticipated for 2020/21 include: c£0.4m-£0.6m for special schools based on the 1.84% uplift and factoring in MFG, capping and an expected increase in pupil numbers; inflationary and demand pressures on the independent sector and alternative provision (both are expected to increase by c£0.25m in 2019/20) and SEND support.

The table below sets out the anticipated cost pressures for 2020/21 and illustrates the potential shortfall in funding on HNB despite the additional DSG funding:

	£m
Overspend in 2019/20 (reported at Q2)	1.359
One-off 0.5% top-slice in 2019/20	0.551
Increased budget for special schools (minimum)	0.400
Demand / inflationary pressures (independent sector, alternative provision, SEND support)	0.500
Total on-going annual cost pressures	2.810
Additional HNB funding in 2020/21	2.214
Potential shortfall in 2020/21	0.596

Proposal

That Schools Forum notes the content of the report and agrees to a top-slice of 0.5% from the Schools Block to the HNB for 2020/21.

Recommendations

That Schools Forum

- notes the content of the report;
- agrees to a top-slice of 0.5% from the Schools Block to the HNB for 2020/21.

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