

HERTFORDSHIRE COUNTY COUNCIL SCHOOLS FORUM

25 February 2020

AGENDA ITEM

3

HIGH LEVEL NEEDS BUDGET STRATEGY: FINAL PROPOSALS

Report of the Director of Children's Services

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1. Purpose

1.1 To update the Forum on the High Level Needs DSG budget for 2020-21

2. Summary

2.1 This report sets out specific proposals for the High Level Needs DSG budget for 2020-21 which take account of the additional costs flowing from proposals in relation to funding children with complex needs in mainstream schools.

3. Recommendations

3.1 Schools Forum is recommended:

- (i) To note the proposed reduction of £1.0m in DSG used to offset the costs of placements of CLA with SEND for 2020-21
- (ii) To note that a review of the methodology for calculating future contributions will be put to Schools Forum in May or June
- (iii) To agree a one-off contribution of £0.5m from the DSG carry forward to fund placements of CLA with SEND for 2020-21, in order to free up £0.5m of ongoing resource.
- (iv) To agree a budget envelope of £3.992m for the implementation of the new system of complex needs funding for mainstream schools.
- (v) To agree to freeze allocations for Multiple Cases as described in section 4.4 of the paper.
- (vi) To note a one-off reduction in 2020-21 of £0.467m in the current budget provision for the introduction of Specialist Resource Provision.
- (vii) To note that the budgeted uplift of £95k for outreach services for 20-21 onwards will not be required.
- (viii) To support the budget proposals for use of the high needs block for 2020-21.

4. Background

- 4.1 At the January meeting of Forum a budget strategy for 2020-21 and subsequent years was considered, against the need to make provision for implementation of the outcome of the recent Review of Funding for Complex Needs in Mainstream Schools.

At the last meeting there were a series of major uncertainties round the position for 2020-21. At that point, however, Headroom of £1.930m had been identified as uncommitted and potentially available to support the year 1 costs of implementation of the new complex needs in mainstream system. This figure can now be revised to take account of the outcome of work on the major uncertainties. Each of these is discussed below.

- 4.2 DSG applied to meet an additional element of the costs of independent placements of CLA with special educational needs.

For a number of years, DSG has been used to meet part of the costs of CLA with SEND. For 2019-20 and future years it was proposed by HCC that the contribution should be increased by £1.5m, and that figure is reflected in the HLN DSG budget that has been agreed by HCC. It was therefore assumed when the headroom figure above was calculated.

Following considerable discussion, we are now proposing that only £0.5m of additional charge for CLA with SEND should be made to the high needs budget in 2020-21. We are requesting a one-off contribution of £0.5m from the DSG carry-forward to fund this. Reducing the charge to DSG will adversely impact HCCs budget and Children's Services are exploring how £1m of one-off savings might be made to offset the shortfall.

These changes result in an additional £1.5m being available and uncommitted for the coming year. We are also proposing a review of the methodology by which the current DSG contribution to placement costs is calculated. This would be aimed at reporting to Forum in May or June, so as to set future decisions on a more transparent basis and one which can adapt flexibly to changes in the patterns and costs of placements.

- 4.3 Forecast expenditure on the new system of support for complex needs in mainstream

Forum will recall that there are some 1600 children with EHCPs in mainstream schools not currently in receipt of funding who would potentially be eligible under the future system. These will not all have been placed in funding bands until April, but in order to inform budget decisions a sampling exercise has been undertaken. The initial sample of 54 cases have now been done. The results suggest an additional cost in 2020-21 of between £3.6 and £4.2m. A reasonable figure for budgeting purposes would be around £4.0m.

However, officers have not yet completed work on changes to the existing system of funding for multiple cases, which will in the longer term be impacted by the system change.

4.4 Multiple Cases

For the interim it is proposed to freeze Multiple Case (MC) allocations at their current (i.e. Spring Term 2020) level. However, where an existing exceptional needs pupil leaves a school, for example at the end of the summer term 2020, then the MC allocation for the school would reduce from that point. Similarly, where an exceptional needs pupil moves to the new complex needs funding arrangements, the MC allocation for the school would reduce from that point.

4.5 Other possible savings

Following the last meeting of Forum, officers have reviewed the likely timing of the roll out of Special Resourced Provision, for which a budget provision of £0.467m has been made. We have concluded that this programme is likely to slip into 2021-22, and thus that resource can be released for one year to support the implementation of the complex needs funding changes. Further savings of £95k have been identified in costs of outreach. This uplift was put into the budget for 2020-21 onwards with the intention to increase the outreach contract, however it has been possible to cover the cost of the new contracts within the current/historical funding. For the last few years there has been an underspend on this budget.

4.6 Summary of changes

£m	2020/21
Grant income	131,479
Estimated expenditure	129,549
Headroom	1,930
Savings on DSG contribution to placement costs	1,500
Savings on Specialist Resource Provision	467
Savings on outreach services	95
Revised Headroom	3,992

It is therefore proposed to set a budget for the year 1 implementation of the new complex needs system of £3.992m.

4.7 Future Years:

Last Forum considered a budget strategy report which set out the potential position for future years. This is updated below, to reflect the position set out above.

£m	20/21	21/22	22/23
Grant income	131.5	136.7	142.2
Estimated expenditure	129.5	136.9	144.0
Headroom	2.0	-0.2	-1.8
Remove DSG contribution/use of c/f	1.5	1.5	1.5
One-off savings	0.5		
Ongoing saving	0.1	0.1	0.1
Revised Headroom	4.0	1.4	-0.2
New complex needs funding	-4.0	-4.0	-4.0
Final Headroom/Gap	0	-2.6	-4.2
Multiple cases funding		?	?

It should be noted that the full year costs of the new system are expected to be less than previously reported. However, it is unclear exactly what the new system will cost in future years. No account has been taken in the table above of the position in relation to Multiple Cases or of any savings resulting from pupils staying in mainstream schools, rather than transferring to specialist provision.

The approach to setting a sustainable budget for future years as reported to Forum in January remains the same.

The substantial risks round further increases in placement and other costs remain, and will need to be monitored closely.

4.8 Update on DSG Carry-forward position

The paper on the 2020-21 Schools Budget at the January Forum outlined that the estimated remaining DSG reserve (after planned use of carry forward in 2020-21 and other commitments) was £10.1m. This is consistent with the policy of retaining a contingency of £10m. The estimated DSG reserve in the January Forum paper was based on information from the November 2019 monitor. The end of Autumn Term monitor indicates that forecast expenditure for 2019-20 has increased by £154k over the previous estimate. This, together with the use of an additional £0.5m of DSG carry forward in 2020-21, as outlined in this paper, would reduce the estimated remaining DSG reserve to approximately £9.5m.

5. **High Needs Budget 2020-21**

5.1 Budget pressures

The pressures and savings in the high needs budget were set out in the January Schools Budget paper. This paper gives details of changes to the January position, in order to increase the headroom in the high needs budget to support the new system of funding for complex needs in mainstream.

5.2 Funding for inflation

The high needs budget includes £3m for inflation. Inflation has been provided for in most elements of the budget. (£50k of the inflation total has been used to fund an increase in the Private Finance Initiative allocation to Lonsdale School, consistent with that agreed for Marriotts as part of secondary school budget shares.)

5.3 Annex A sets out details of the 2020-21 High Needs Budget showing changes from 2019-20.

6. **Conclusion**

6.1 Forum is recommended to support the approach set out above.