

HERTFORDSHIRE COUNTY COUNCIL SCHOOLS FORUM

15 January 2020

AGENDA ITEM

3

HIGH LEVEL NEEDS BUDGET STRATEGY

Report of the Director of Children's Services

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1. PURPOSE

To set out for Forum our approach to a budget strategy for the next 3 years.

2. SUMMARY

This report sets out an approach to the High Level Needs DSG budget for 2020/21 and subsequent years, which seeks to take account of the additional costs flowing from proposals elsewhere on this agenda in relation to funding children with complex needs in mainstream schools.

3. RECOMMENDATIONS

Schools Forum is recommended to support the approach set out in section 5.4.

4. BACKGROUND

Earlier on this agenda is a report on the outcome of the recent Review of Funding for Complex Needs in Mainstream Schools. The wider schools budget report, of which HLN is a part, follows on from this paper.

In order to move forward towards implementation of the proposals in that report, it is necessary to agree an approach to funding and budgeting for the proposed new system both for 2020/21 and for future years. The underpinning presumption in this is that we will need to contain expenditure within the level of DSG grant income available both for the coming year and for future years.

Current year position:

When setting the 2019/20 budget, we “earmarked” a substantial level of funds to support priority developments which were intended to mitigate the risks of future increases in expenditure on expensive out-county placements. As reported to last Forum there has been a very rapid and unforeseen increase in expenditure in the current year in a number of areas. The “headroom” which we had planned and anticipated as being available to cover the cost of our priority developments has largely been used up by this.

However, the final grant allocation for 2020-21 is slightly better than was reported at November Forum. We have also revisited our position on the level of HLN DSG required to contribute to the costs of placements of CLA in independent settings. Whilst at this stage the Council’s budget is drawn up on the basis that this will increase by £1.5m relative to the 2019/20 budgeted level, we are actively planning steps to bring this figure down to zero so as to remain at the same level as budgeted for in previous years. This is dealt with in greater detail below.

5. BASE POSITION AND ISSUES ARISING FOR 2020/21 AND SUBSEQUENT YEARS

5.1 Resources

Our resource assumptions are for HLN DSG allocations as follows:

2020/21:	£131.5 (growth of £16.5m/14%)
2021/22:	£136.7m (growth of £5.3m/4%, in line with wider Schools Block)
2021/22:	£142.2m (growth of £5.5m/4%)

These assumptions are a reasonable central estimate of resource growth; however, HLN funding has been very unstable in recent years and it may be that either it increases in aggregate nationally or that the share provided to Hertfordshire increases to reflect our greater relative need.

5.2 Forecast expenditure:

The forecasts below are based on current known pressures as reported to Forum in November and include the additional £1.5m of expenditure on CLA placement costs. The base position excludes two key items:

- (i) The costs of a move to a new system of support for children with complex needs in mainstream schools, which we regard as essential to limit the future pace of growth of placement costs and need for special school places.
- (ii) The risk of a further increase in the cost of placements in independent schools, over and above the growth of £1.9m in the 2020-21 budget already included to reflect current-year overspending. This could be a further c£1m.

The table below therefore shows our base position and separately the impact of the inclusion of these two items.

Budget forecast:

£m	20/21	21/22	22/23
Grant income	131.5	136.7	142.2
Estimated expenditure	129.5	136.9	144.0
Surplus/shortfall	2.0	-0.2	-1.8
Additional placement costs	-1.0		
Enhanced complex needs in mainstream	Up to -4.0	-7.0	-7.0
Final Surplus/shortfall	-3.0	-7.2	-8.8

5.3 New system of support for complex needs in mainstream

In our view there is a pressing need to reform and enhance our support for children with complex needs in mainstream schools, in order to mitigate future growing demand for special school places, independent placements, etc. This requires a system change but also additional funding. We have undertaken a major system review which is included elsewhere on the agenda. The immediate financial issue is the level of additional funding required and to be made available both for the coming year and as a planning assumption for future years.

The review is completed in draft and presents an indicative increase in the level of funding for complex needs in mainstream of £7m. For the purposes of the table above we have assumed £4m of this takes place in 2020/21, rising to £7m in future years. There are also multiple other recommendations on system changes.

Most importantly, however, the scale of additional cost and its phasing is based on broad estimates. Between now and April an exercise will be undertaken to seek to band complex needs pupils currently in mainstream but without additional funding, to seek to assess what additional level of financial provision is required. Based on the conclusions of this we will also need to reconsider the operation and level of funding of the current support provide for “multiple cases”.

In due course, we need to be able to operate to an HLN budget for 2020/21 which is balanced, and to follow a strategy towards funding complex needs in mainstream which has a path towards sustainability for future years. We cannot therefore easily commit now to implementing a high-cost new system in full immediately which might lead to major funding shortfalls in the coming year or in 2021/22.

However, we will be commencing training and development work with schools in February and schools will be making their own budget plans for

the current year. It is difficult for this to take place without a frame of reference round the level of funding individual bands would attract.

There are two ways in which these conflicting objectives could be resolved for the coming year. These are:

- (i) That the level of funding attracted by pupils in any particular band is not set now, but is expressed in terms only of units of funding, with a value attached to this later.
- (ii) That for the coming year it is agreed to underwrite in one way or another the cost consequences of fixing the values of each band early.

As can be seen from the above, we are as yet unclear round the scale of any budget gap for the coming year, as well as for future years. However, what is clear is that if we are to implement the full potential level of additional funding for complex needs in mainstream schools we will need both to control the current un-budgeted growth in various areas, and to identify budget reductions where HLN funding can be redirected on a pound-for-pound basis from decommissioned services to support for pupils in mainstream. In the medium term we would intend that the new system would be both better and more cost-effective than the current, through reducing the need for pupils with complex needs to be placed in expensive independent settings

5.4 Implications for High Level Needs Budget strategy

The approach proposed in the light of the above is as follows:

- 5.4.1 We will commence training and modelling in February on the basis of a set of funding levels linked in some way to existing ENF allocations. However, we will make clear to schools that whilst these figures represent our intentions for the coming year we cannot guarantee them, either for 2020/21 or future years at this stage.
- 5.4.2 By April we will have a clearer estimate of the potential cost of additional support to complex needs pupils in mainstream schools and any impact on “multiple cases” funding
- 5.4.3 By April we will have resolved current uncertainty round any increase in the level of HLN DSG which is used to contribute towards the costs of placements of CLA in special schools/provision.
- 5.4.4 By April we will have reviewed the adequacy of our existing budget for independent placements, in the light of the out-turn for financial year 2019/20.
- 5.4.5 On 4th May we will seek agreement from Schools Forum for the first phase of a phased implementation of the new complex needs funding system, in the light of the then-current assessment of resources available. The choices will be either to set the values of bands at the level established for February modelling purposes, which might require additional one-off

funding to be provided from the DSG carry-forward. Or alternatively the values of the bands will need to be adjusted to match resources available. The Table above, suggests that, subject to successful resolution of the DSG transfer issue, the former approach should be manageable in financial terms.

- 5.4.6 Between now and October we will undertake a review of each current area of expenditure funded by HLN DSG with a view to identifying the scope of savings through de-commissioning or redirection of funding.
- 5.4.7 At Schools Forum in November (and though the Council's budget planning process at the same time) we would be able to take a view on the funding of and level of enhanced complex needs funding for mainstream pupils for future full years, taking account of our then-current view of DSG allocations from DfE for 2021/22.
- 5.4.8 For the purposes of the HCC Integrated plan and HLN budget documents, for the time being our documentation will reflect the position in the table above with "headroom" of £2m prior to additional funding be made available for complex needs in mainstream.

6. CONCLUSIONS

Forum is recommended to support the approach set out above.

Transfer of costs of CLA placements to DSG

Currently, 35 CLA in 52-week residential special school provision are joint-funded from social care budgets and DSG. The split is generally determined on a case by case basis and the average education contribution is c46%. The cost of this contribution is met from within the budget for Independent Placements.

There are a number (12) of residential special school placements which are wholly social care funded, together with some (5) children in out-county residential homes with some educational element. This can arise because the placement has not been through a funding agreement process.

In recognition of this, a contribution has historically been made as a block contribution from HLN DSG towards CLA placement costs, rather than being assessed on the basis of actual costs for individual placements.

Officers had been considering the case for increasing this contribution by c£1.5m. The basis for this was the position set out in regulations, which do not prescribe any particular limit on the share of costs for such children that is met from DSG as opposed to the Council in respect of its duties towards the accommodation of CLA with SEND at residential special schools.

However, it recently became clear that it would have a significant adverse impact on HLN DSG funding uncommitted and therefore available for enhanced funding to schools for support to children with SEND in mainstream. Further, the consequence would have been that we would need to charge in aggregate approximately 70% of total placement costs to DSG.

We also wish to review the current system for splitting costs for those placements where already such a split has been agreed, to see if we should move to an overall percentage basis of splitting as opposed to a case-by-case assessment. This type of approach is current in some other authorities.