



SCHOOLS FORUM

2022/23 SCHOOLS BLOCK TRANSFER

17 June 2021

Content Applicable to;		School Phase;	
Maintained Primary and Secondary Schools	x	Pre School	
Academies	x	Foundation Stage	x
PVI Settings		Primary	x
Special Schools / Academies	x	Secondary	x
Local Authority	x	Post 16	
		High Needs	x

Purpose of Report

Content Requires;		By;	
Noting	x	Maintained Primary School Members	
Decision		Maintained Secondary School Members	
		Maintained Special School Members	
		Academy Members	
		All Schools Forum	x
		Non School Members	

- 1) This report confirms the local authority intention to develop a methodology for a potential transfer of 0.5% of the Schools Block to the High Needs Block of the Dedicated Schools Block for consultation with Schools in September for decision by Schools Forum in November.

Recommendations

- 2) That Schools Forum notes worsening the financial position of the High Needs Block.
- 3) That Schools Forum note the intention to consult on a Schools to High Needs Block transfer of 0.5%

Background

- 4) Schools Forum have received regular briefings on the financial position of the High Needs Block Dedicated Schools Grant prior to and following the approval of the High Needs Block Development Plan by the County Councils' Cabinet in December 2018.
- 5) The HNB of the Dedicated Schools Grant is the sole source of funding to Local Authorities for meeting the needs of children and young people with Special Educational Needs (SEN). Nationally the level of funding is insufficient to meet growing needs, and the associated deficits held by almost all local authorities are a significant concern.
- 6) The projected deficit at the end of the Council's current Medium Term Financial Strategy has increased by £13.8m from £29.2m to £43m despite the delivery of £24m in revenue savings. The projected deficit is the most significant short-term financial risk faced by the County Council. Under time limited legislation local authorities are required to carry deficits on their balance sheets as unusable reserves. However, given the deficit will ultimately need to be recognised and financed there is a real and immediate impact of the financial resilience of the Authority and the funding available for all other County Council services.
- 7) The financial plan includes a proposed transfer of 0.5% of the Schools Block Dedicated Schools Grant to High Needs in 2022/23. The intention to seek a transfer was set out to Schools Forum on 8 February 2021, the report made recommendations for representatives from schools groups to form a working group to develop proposals for the proposed transfer which was agreed at the meeting. However, following the meeting letters were received from LPH and LSH which stated that following years of underinvestment in Leicestershire schools and the financial impact of the Pandemic a working group considering the proposal would not be appropriate or productive. The working group would have also considered additional actions that would have reduced cost and / or demand.
- 8) The County Council's Cabinet will consider a report at it's meeting on 22 June 2021 which provides an update on the High Needs Development Plan. This report sets out that proposals for a 0.5% Schools Block Transfer will be issued for consultation with schools in the autumn term and Cabinet are asked to consider if an application should be made to the Secretary of State to make the transfer should the Schools Forum refuse the request.
- 9) In determining whether to pursue a funding transfer of 0.5% of the Schools Block to High Needs on 22 November 2019 the County Council's Cabinet agreed not to seek a decision from the Secretary of State for the transfer and authorised the Director of Children and Family Services to engage with schools on developing proposals to bridge the funding gap but did not rule out a future transfer request being made if necessary.
- 10) Officers and schools have co-produced the sufficiency strategy which has successfully delivered a significant number of additional specialist school places and has reduced the overall cost. However, the new places have been filled with new demand and not delivered the expected savings from movement of children from higher cost Independent placements and having need met in local lower cost

provision. The financial position is critical and whilst accepted that a transfer will provide only some respite for the financial position in one year is proposed.

- 11) In the absence of a working group in which the Council would have been able to co-produce options for such a transfer with schools, options will be developed by officers and will form a September consultation with schools following which a proposals will be put to the Schools Forum for approval, Cabinet will determine whether a Secretary of State decision is sought if Schools Forum do not approve the proposals.

The Financial Position

- 12) Overall the financial position has worsened by from that set out in the MTFS, increased demand and cost being the significant changes in that position. The cumulative High Needs budget deficit in 2024/25 has increased by £13.8m. Whilst it can be seen that the financial position in Leicestershire reflects the national position it presents a significant financial risk. The current financial projections are set out in the table below.

	2021/22 £,000	2022/23 £,000	2023/24 £,000	2024/25 £,000
High Needs Dedicated Schools Grant	-83,120	-83,120	-83,120	-83,120
Placement Costs	91,393	97,709	101,662	106,216
Other HNB Cost	8,708	8,708	8,708	8,708
Commissioning Cost - New Places	671	372	455	247
Project Costs	1,059	0	0	0
Total Expenditure	101,831	106,789	110,825	115,171
Funding Gap Pre Savings	18,711	23,669	27,705	32,051
Dedicated Schools Grant Increase	0	-5,700	-5,700	-5,700
Schools Block Transfer	0	-2,000	0	0
Demand Savings	-2,659	-2,899	-3,181	-3,420
Benefit of Local Provision and Practice Improvements	-6,697	-10,623	-13,073	-14,942
Total Savings	-9,356	-21,222	-21,954	-24,062
Annual Revenue Funding Gap	9,355	2,448	5,751	7,989
2019/20 Deficit Brought Forward	7,062			
2020/21 High Needs Deficit Brought Forward	10,387			
Cummulative Funding Gap	26,804	29,252	35,003	42,992
MTFS Position	22,723	22,591	24,680	29,197
Overall Change	4,081	6,661	10,323	13,795

- 13) Local authorities are required to carry forward the aggregated DSG deficit from all funding blocks. The DfE has removed a requirement for local authorities to submit

DSG recovery plans for deficits in excess of 1%. A surplus is held in the schools block where funding for school growth is out of line with the growth trajectory for mainstream schools and required to meet costs in future years. Hence it cannot be used to partially mitigate the High Needs deficit.

- 14) The rate of growth in EHCPs continues to exceed population growth. For the period 2013 to 2015 the percentage growth in the number of SEND places was 110% against a population increase for the same period of 9%. The greatly disproportionate increase in EHCPs has been influenced by national policy changes, specifically school funding reform in 2014 which introduced a direct link between the ability to evidence need and funding and SEND reform in 2014. Mainstream Element 3 funding increased by 192% with an increase in EHCP's of 163% between 2013/14 and ISP placements are 8% of all placements but account for 27% of high needs spend.
- 15) Whilst the HNB Development Plan of work has been successful in delivering service transformation and increasing the number of specialist school places in Leicestershire some of the financial targets set out within the original plan have been exceptionally challenging. The Plan has been revised to ensure it fully reflects the current SEND and financial environment, the significant changes that have affected the financial position are:

Demand – the demand for specialist places has increased in excess of that estimated in 2018 by 10% to 2022/23 and is forecast to rise a further 3.5% to 2024/25. The 2018 financial plan was based on a forecast of 493 independent placements by March 2022; as a result of the measures outlined above, revised estimates are now down to 419, a reduction of 15%. Growth has largely been contained through the additional places created where the number of places in lower cost, provision has increased by 22%. During 2019/20 and 2020/21 the number of independent school placements had been stable at 372 but it increased over the last quarter of 2020/21 to 395, and numbers are expected to increase by a further 9% by 2024/25. Demand for places is the significant driver of cost and the deficit. It is essential to the delivery of the Plan that demand is reduced, particularly that for independent school and special school placements given the length of time that pupils are likely to remain in these.

Savings – the plan, as set out in 2018, included significant levels of savings to be achieved through the movement of pupils from higher cost independent school placements to the new provision. Unfortunately, this has not been possible. Whilst additional places have been created, the sustained rate of growth has meant that places have been occupied with new demand, overall the use of the new provision has reduced costs by around £10m but it has not delivered the planned savings as a result of the increased demand and difficulties in achieving pupil movements. An EHCP names the school in which provision will be delivered to the individual, it is only possible to change that provision through the statutory annual review process or if a placement can no longer meet need, such a movement could only be expected at key transition points and with the agreement of all professionals and parents/carers as such very few moves have been possible.

Cost Increase – overall the cost of independent school places has risen by 4% from 2018/19 to 2024/25 and in Leicestershire special schools by 11%. This is related to the increasingly complex pupil needs. Whilst the increase in independent school places has been kept to a minimum through robust commissioning arrangements, places are often difficult to source and there is no incentive for providers to reduce costs. It is essential that costs are challenged and that the planned new provision in Leicestershire can be shown to meet pupils' needs equally well or better than independent providers.

Timescale for Transfer

- 16) The DfE are expected to confirm the timelines for decisions to be taken on 2022/23 funding in early July, this will confirm the actions and approvals needed to support any funding transfer.
- 44) The National Funding Formula, adopted by Leicestershire in 2018, includes a number of restrictions on local authorities as to how the formula for schools can be constructed; some requirements can be waived by application to the Secretary of State to disapply them. Disapplication requests will need to be submitted to the Secretary of State to formulate proposals for any transfer. These are expected to be;
- Disapplication of the Minimum per Pupil Funding Level. This will allow for the impact of the transfer, which will reduce school funding, to be more evenly distributed across schools thus lessening the impact.
 - Disapplication of the Minimum Funding Guarantee. The DfE sets a range in which local authorities have discretion in this area but may need to be set outside this range to enable the transfer.
 - Permission to cap and or scale gains. Local authorities have discretion to use the formula to limit any funding gains.

The timing and detail of disapplication requests will be dependent upon the outcome of the formula modelling and confirmation on the 2022/23 funding arrangements. Decisions by the Secretary of State on these and any other disapplication requests may limit the options available to affect the transfer and the impact upon individual, or groups of schools.

- 21) Consultation with schools will commence early in the autumn term which will be presented to Schools Forum at the meeting on 6 September with Schools Forum receiving the outcome of the consultation with recommendations at the meeting on 15 November. Dependent upon any decisions from the Secretary of State it may be necessary to further consider options on 19 January 2022 prior to final submissions of 2022/23 school budgets to the DfE.
- 54) Should the Schools Forum not approve a transfer of funding, a request for approval would be required to be submitted to the Secretary of State in November prior to submission of the Schools Funding Formula to the DfE in January. If the transfer does not take place the forecast deficit will increase to £45m by 2024/25.

Resource Implications

- financial, HR, systems etc

Equal Opportunity Issues**Background Papers**

Schools Forum Report 8 February 2021 - 2021/22 Schools Budget

<http://politics.leics.gov.uk/documents/s159623/2021-22%20Schools%20Budget%20v3.pdf>

Cabinet Report 22 November 2019 – Special Educational Needs and Disabilities – Proposed Transfer of Funding within the Dedicated Schools Grant

<http://politics.leics.gov.uk/ieListDocuments.aspx?CIId=135&MIId=5608&Ver=4>

Officers to Contact