**Report to Hartlepool Schools’ Forum 26 November 2019**

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**Item 5: High Needs Projected Outturn 2019/20**

1. **Introduction**
   1. This report provides an estimated outturn for spending against the high needs block for 2019/20.
2. **Background**
   1. Owing to the continuing financial pressure on high needs spending, Forum are presented with regular updates on outturn projections. Forum received a forecast outturn on 13 September 2019. This report provides an updated projected outturn position for 2019/20.

* 1. Schools’ Forum will recall that £0.621m was transferred from the Schools’ Block to the High Needs Block as part of 2019/20 budget setting to support the projected budget requirement.
  2. The government provided £0.209m of additional funding in 2019/20. This is the second year of the 2-year late additional funding announcement made in December 2018.

1. **2019/20 Funding**

3.1 As outlined in the report to Forum on 13 September 2019, high needs block funding for 2019/20 has reduced by £0.168m from the original allocation.

3.2 The reduction in funding relates to an adjustment for the import / export factor within the high needs formula applied in July 2019. The adjustment relates to the change of status for 28 places at Catcote SPI (Special Post-16 Institution).

**4. 2019/20 Projected Expenditure**

4.1 Original budgets in 2019/20 for high needs spending amounted to £9.745m. The overall budget has now been reduced by the £0.168m adjustment explained at section 3 of this report. The amended budget of £9.577m is shown in the table below.

|  |  |
| --- | --- |
| High Needs Budget 2019/20 | £m |
| Place funding | 1.426 |
| Independent school fees | 2.460 |
| Out of authority top-ups | 0.405 |
| Top-up funding and support | 4.135 |
| Exclusions | 0.132 |
| Post-16 top-up funding | 0.720 |
| Support services | 0.467 |
| Import / export adjustment | (0.168) |
| Total Budget 2019/20 | 9.577 |

4.2 Expenditure to the end of October 2019 has been reviewed and an estimate of remaining spend against each area has been assessed.

4.3 Owing to the volatility of high needs spending and underlying demand, a range of projected outturns have been collated. These present a best-case, mid-case and worse-case scenario.

4.4 The following table presents the range of projected outturns against each area of activity for 2019/20.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Worse Case | |  | Mid Case | |  | Best Case | |
| High Needs Expenditure 2019/20 | Projection  £m | Variance Over/(under) Spend  £m |  | Projection  £m | Variance  Over/(under) Spend  £m |  | Projection  £m | Variance Over/(under) Spend  £m |
| Place funding | 1.441 | 0.015 |  | 1.441 | 0.015 |  | 1.441 | 0.015 |
| Independent school fees | 2.525 | 0.065 |  | 2.495 | 0.035 |  | 2.366 | (0.094) |
| Out of Area top-ups | 0.309 | (0.095) |  | 0.309 | (0.095) |  | 0.309 | (0.095) |
| Top-up funding and support | 4.431 | 0.295 |  | 4.320 | 0.185 |  | 4.293 | 0.157 |
| Exclusions | 0.656 | 0.524 |  | 0.656 | 0.524 |  | 0.606 | 0.474 |
| Post-16 top-ups | 0.720 | 0.000 |  | 0.628 | (0.093) |  | 0.627 | (0.093) |
| Support services | 0.467 | 0.000 |  | 0.467 | 0.000 |  | 0.467 | 0.000 |
| Funding adjustment |  | 0.168 |  |  | 0.168 |  |  | 0.168 |
| Total projection | 10.549 | 0.972 |  | 10.316 | 0.739 |  | 10.109 | 0.532 |

4.5 The table below illustrates the shift in the projected financial position in 2019/20 since the last update to Forum. Please note that the funding reduction of £0.168m has been included in the column values for “previous report”.

|  |  |  |
| --- | --- | --- |
| Scenario | This Report | Previous Report |
| Worse case | £0.972m | £1.013m |
| Mid case | £0.739m | £0.486m |
| Best case | £0.532m | £0.271m |

4.6 Local authority place funding (£0.015m overspend projected)

Place funding amounts are on budget, with the exception of six new places expected to open in January 2020 following approval of the new SEMH secondary ARP at High Tunstall School. The £0.015m reflects one quarter’s payment in 2019/20.

4.7 Independent school fees (£0.035m overspend projected – mid case)

The mid-case projection of spend has improved by an estimated £0.087m from the last update to Forum. A number of estimated placement costs have been confirmed during the last quarter and there is an overall financial benefit. In addition, some of the estimates included in the last mid-case outturn for potential new places or increased cost of placements are now reduced in financial impact as we move closer to the end of 2019/20 financial year.

The 2019/20 budget is predicated on 50 placements at an average cost of £49k per place. There are currently 47 children placed in independent schools at an average cost of £48k per place in 2019/20. Ten of the 47 children are new commitments from the start of the 2019/20 financial year. Ten children have left placements during 2019/20 financial year so far.

The mid-case outturn projection continues to include an estimated cost for potential new placements (in addition to the existing 47 placements), along with potential placement cost increases at an estimated total cost in 2019/20 of £0.129m. The timing, location and cost for these potential changes to independent school places remains uncertain.

4.8 Out of area top-ups (£0.095m underspend projected)

The 2019/20 forecast has improved by £0.037m from the last update to Forum. The improvement is linked to a small number of recent moves out of Hartlepool for children formerly in out of area provision. New placements out of area are currently unlikely as capacity is limited.

4.9 Top-up funding and support (£0.185m overspend projected – mid case)

Top-up funding and support represents 42% of the overall high needs budget. This category covers the areas of spend listed in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
| Top-up Funding and Support (High Needs) | Budget 2019/20  £m | Projected Outturn 2019/20  £m | Projected  Variance 2019/20  £m |
| Individual pupil support | 1.312 | 1.525 | 0.213 |
| ARP top-ups | 0.260 | 0.245 | (0.015) |
| Special school top-ups & MFG | 2.054 | 2.055 | 0.001 |
| Hearing impaired | 0.131 | 0.120 | (0.011) |
| Visually impaired | 0.075 | 0.072 | (0.003) |
| Small Steps | 0.166 | 0.166 | 0.000 |
| Home and Hospital | 0.137 | 0.137 | 0.000 |
| Total Projection 2019/20 | 4.135 | 4.320 | 0.185 |

The significant area of financial pressure within top-up funding and support relates to Individual Pupil Support as explained in more detail below.

4.9.1 Individual Pupil Support (£0.213m overspend projected)

The Individual pupil support (IPS) budget provides additional funding to mainstream schools to support pupils with SEN to remain in a mainstream setting. The budget is a key line of defence in avoiding other potential costly support options. All IPS approvals, other than where a child has an EHCP in place, are subject to panel review and approval. The IPS budget also funds a small number of exceptional items where there is a particular financial need over and above the standard top-up payment.

As at November panel 2019, the IPS budget is providing top-up payments for 336 pupils with SEND. This compares to 318 pupils with top-up payments as at 31 March 2019. Funding of exceptional items is projected at £0.353m in 2019/20 compared to actual spending of £0.249m for 2018/19. The projected expenditure for exceptional items has risen by £0.061m since the last forecast presented to Schools’ Forum.

4.10 Exclusions (£0.524m overspend projected – mid case)

This area of expenditure combines the funding of excluded pupils placed in the PRU, along with the costs of alternative provision. The projected expenditure of £0.656m is net of the amount of funding able to be clawed back from the relevant home school for excluded pupils. As previously reported to Schools’ Forum, the cost of exclusions on the high needs block is growing and has increased significantly during 2018/19 and 2019/20.

The projected outturn of £0.656m now includes the cost of the estimated deficit for the PRU in 2019/20 of £0.230m. This is one of the key reasons for the increased deficit outturn projection from the last forecast. The projected overspend (mid-case) has increased from £0.165m to £0.524m in this update. The other key change relates to the anticipated expenditure for alternative provision that has increased significantly during the last quarter.

4.11 Post-16 top-up funding (£0.093m underspend projected)

In-year spending is difficult to predict owing to the learning choices available to individual learners. However, payments relating to academic year 2018/19 have now been confirmed and estimates of 2019/20 academic year payments has been collated. Final payments for the 2019/20 academic year will be known at the end of October 2019. Based on current estimates, an underspend of £0.093m is projected. This projection is unchanged from the last update to Forum.

4.12 Support Services (nil variance projected)

The contribution from the high needs block to local authority support services has been maintained at budget level for 2019/20, with inflationary increases being absorbed by the local authority.

4.13 The projected outturn position (mid-case) on high needs spending in 2019/20 is an overspend of **£0.739m**. There is currently **£0.314m** earmarked in DSG reserves to partially fund this potential overspend.

4.14 Were the projected £0.739m to materialise, the deficit of £0.425m would need to be repaid. Repayment of an estimated deficit (up to £0.531m) has been assumed in the high needs block budget requirement for 2020/21.

**5. Looking Ahead to 2020/21**

5.1 The outturn projection contained in this report reflects yet further financial pressure for high needs spending. The deficit on the mid-case projection presented in this report has increased by £0.252m since the last update.

5.2 Delivery of the outcomes and actions from the High Needs Task and Finish Group, along with the opening of the new Free School remain critical to addressing the ongoing increase in demand, complexity of need and associated financial pressures.

5.4 The budget requirement presented to Schools’ Forum for 2020/21 for high needs that prompted the £0.550m block transfer was predicated on the worse-case scenario for 2019/20 reported in the last update to Forum. Therefore, the position presented in this report currently remains in line with the estimated budget requirement for 2020/21 of £11.381m. However, clearly the position continues to require very careful monitoring.

5.5 Schools’ Forum will recall that there is an estimated unfunded amount against the 2020/21 budget requirement of £0.127m as reported to Forum on 25 October 2019. Once the final outturn for 2019/20 is known, the position on any repayment of deficit and a revised figure for any unfunded amount in 2020/21 can be confirmed.

**6.** **Recommendations**

6.1 Forum is recommended to note the contents of the report.

6.2 Note that should the mid-case scenario materialise that there are insufficient earmarked DSG reserves to fund the full amount. This would require a plan for repayment of the deficit. Although the deficit would not result in a DSG deficit of < 1% necessitating a formal recovery plan submission to DfE, the authority would require a plan to repay the deficit.