**Report to Hartlepool Schools’ Forum 24 September 2020**

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**Item 8 : High Needs Block Budget Proposals 2021/22**

1. **Introduction**
   1. The purpose of the report is to introduce proposals for the High Needs Block budget in 2021/22 and beyond.
   2. Forum Members are aware of the historic spending pressures on the High Needs Block and the associated need for transfers from the Schools Block to support spending on critical SEND services.
   3. Schools’ Forum are considering a separate report on this same agenda outlining the current year spending forecast for High Needs.
   4. A Medium Term Financial Strategy (MTFS) for High Needs spending will be updated and presented to Schools’ Forum at a future meeting. This will ensure that the strategy for SEND provision in Hartlepool and the associated spending requirements are understood over a three year period and not solely focused upon one financial year.
2. **Background**
   1. Hartlepool benefited from a significant increase (15.89%) in High Needs Block funding in 2020/21. However, this was in the context of a funding shortfall since 2015/16, with funding each year failing to keep pace with demand for SEND support.
   2. Despite the increase in funding this year, a transfer from the Schools Block of 0.5% was agreed by Schools’ Forum to support the 2020/21 budget requirement.
   3. A further significant increase in funding has been announced for 2021/22. Discussion on the likely budget requirement for 2021/22, along with any proposals for a block transfer need to commence. This report is intended to introduce areas for Schools’ Forum to consider and consult upon with regards to the budget requirement for 2021/22.
   4. In addition to the budget requirement for 2021/22, there is now a deficit on High Needs Block reserves of £0.136m that needs to be repaid over a three-year period. Should the projected mid-case overspend for 2020/21 materialise, the deficit will increase to £0.291m by 31 March 2021.

**3. 2021/22 Funding**

3.1 The indicative High Needs Block funding announced in July 2020 is £14.645m before recoupment of place funding. However, £0.219m of this relates to Teachers Pay Grant (TPG) and Teachers Pension Employer Contribution Grant (TPECG) for special schools and the Pupil Referral Unit (PRU). The separate grants have been mainstreamed into the High Needs Block formula from 2021/22.

3.2 Funding net of the TPG and TPECG for 2021/22 is £14.426m. This compares to equivalent government funding of £12.946m for 2020/21.

3.3 This represents an increase of £1.480m. However, if we remove the transfer of funding from Schools Block to the High Needs Block in 2020/21 of £0.329m, this gives a net increase in budget funding of £1.151m for 2021/22. This is summarised in the following table.

|  |  |
| --- | --- |
| High Needs Funding Change 2021/22 | £m |
| 2021/22 Government Funding (before recoupment) | 14.465 |
| Less 2021/22 Funding of TPG and TPECG | (0.219) |
| 2021/22 Funding Net | 14.426 |
|  |  |
| 2021/22 Increase in government funding | 1.480 |
| Less block transfer for 2020/21 | (0.329) |
| Net increase in overall Funding | 1.151 |

3.4 The indicative High Needs Block funding is subject to change in July each year via revised recoupment funding relating to academy places and also via the annual import / export adjustment. These changes are notified in July each year. Changes affecting the 2021/22 funding will be announced in July 2021.

**4. 2021/22 Budget Proposals for Consideration**

4.1 As outlined in a separate report on this same agenda, the mid-case estimated outturn for 2020/21 is an overspend of **£0.155m**.

4.2 Should the mid-case projected outturn materialise, there would be a total deficit on High Needs Block reserves of £0.291m. Should a three-year repayment period be agreed, this would add **£0.097m** to the 2021/22 budget requirement.

4.3 Growth in demand and prices for non-Hartlepool provision must be factored into the 2021/22 budget requirement. Based on historic trends, general growth is estimated at circa **£0.400m**.

4.4 Both Catcote Academy and Springwell School are on a Minimum Funding Guarantee (MFG) arrangement that started in 2018/19. Following an MFG reduction of 1.5% for 2018/19 and 2019/20, the MFG became a fixed amount at 100% from 2020/21 onwards. Special Schools therefore received negative inflation for 2018/19 and 2019/20 and subsequently have not received inflation on their funding through the High Needs Block in 2020/21.

4.5 Initial models to consider applying an indicative 2% or 3% inflation to Special Schools in 2021/22 estimate a cost of **£0.038m** and **£0.058m** respectively. A 2% increase would be in line with the funding floor guarantee within the Schools Block. A 3% increase is in line with the minimum per-pupil funding increase applied to schools funded from the Schools Block. (This proposal requires consultation – please see recommendations at section 5 below).

4.6 New ranges for Individual Pupil Support, ARPs and Special Schools were implemented in 2018/19. Inflation has not been applied since the ranges were established. Backdated inflation based on Teaching Assistant pay awards could be applied in 2021/22 at an estimated cost of **£0.135m**. (This proposal requires consultation – please see recommendations at section 5 below).

4.7 Indicative new ranges would be as illustrated in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
| Range | Payable to | Current £ | Proposed £ |
| 0 | N/A | N/A | N/A |
| 1 | N/A | N/A | N/A |
| 2 | N/A | N/A | N/A |
| 3 | N/A | N/A | N/A |
| 4i | EY and IPS | £3,000 | £3,250 |
| 4ii | EY, IPS, ARPs | £4,000 | £4,350 |
| 5i | EY, IPS, ARPs, Special Schools | £6,000 | £6,500 |
| 5ii | ARPs, Special Schools | £10,000 | £10,850 |
| 6i | ARPs, Special Schools | £14,000 | £15,200 |
| 6ii | Special Schools | £19,000 | £20,600 |

4.8 Financial remodelling of the PRU is ongoing. The High Needs Block is currently funding the cost base of the PRU. However, if financial investment in areas such as outreach is agreed, associated costs would need to be included in the 2021/22 budget requirement.

**5.** **Medium Term Financial Strategy**

5.1 There are a number of key considerations beyond 2021/22 as part of the MTFS. Even if a block transfer does not take place in 2021/22, there may be a need for Schools’ Forum to consider block transfers in future financial years.

5.2 Options to increase capacity at Catcote are being explored. These include use of existing capital funding and opportunities to bid for DfE capital funding. There is a known pipeline of pupils from Springwell School over the medium term that could not currently be accommodated within Hartlepool provision. Depending on the timing of any potential capital works, costs of independent provision may need to be included beyond 2021/22.

5.3 Initial financial modelling for the new SEMH Free School is underway. The school is planned to open in September 2022. A transition period of three years until the school reaches a stable operation is considered a reasonable assumption. During transition, there may be additional costs to be funded from the High Needs Block. Officers are meeting with the new provider and DfE in October and financial implications will be discussed at this stage. This information will be brought to a future Schools’ Forum.

5.4 A new 12-place MLD provision has been established as a pilot joint arrangement between English Martyrs and Catcote from September 2020. This is being piloted to reduce the number of children needing to be placed out of area. The unit is being funded at cost in 2020/21 and 2021/22. The future of the unit and how it will be funded requires consideration as part of the MTFS.

**6.** **Recommendations**

6.1 Forum is recommended to:

a) note the contents of the report;

b) consult with the schools and sectors they represent on proposals for the 2021/22 budget requirement outlined in paragraphs 4.5 and 4.6 of the report.