**Report to Hartlepool Schools’ Forum 19 November 2020**

**From Danielle Swainston (Assistant Director – Joint Commissioning)**

**Item 6 : High Needs Block Budget Proposals 2021/22**

1. **Introduction**
   1. The purpose of the report is to introduce further proposals for the High Needs Block budget in 2021/22 for consultation.
   2. Work to develop a Medium Term Financial Strategy (MTFS) is underway.
   3. A MTFS for High Needs spending will be 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. Forum Members were informed of a significant increase (£1.151m) in high needs budgets for 2021/22 at their meeting of 24 September 2020.
   2. Forum Members were presented with two initial proposals for consultation at the same meeting.
   3. As requested at the meeting of 24 September, a follow up meeting with Special School Head Teachers and Council Officers took place. Special School Head Teachers shared a set of proposals for Schools’ Forum consideration.

**3. Special Schools Funding**

3.1 Special Schools are funded via the high needs block. Following the introduction of revised top-up ranges during 2018/19, a Minimum Funding Agreement (MFG) was agreed for both special schools.

3.2 Although SEND ranges are allocated to pupils in special schools, top-up income is based on the agreed MFG amount instead of the sum of the top-ups. In this way, the MFG offers protection to special schools so that their income is at a higher level.

3.3 The original MFG arrangement to special schools was set at 98.5%, in line with schools MFG, with effect from 2018/19, resulting in a funding cut of 1.5% each year. However, regulations changed in 2019/20 and special schools MFG became 100%.

3.4 Where special schools accept pupils above their agreed MFG place numbers, top-up income is paid for those “above number” pupils.

**4. Special School Budget Proposals**

4.1 Special schools strongly wish to move away from the current MFG arrangement and return to a funding system that is linked to the needs of a child.

4.2 Alongside removal of the existing MFG arrangement, special schools are requesting a review of top-up ranges, particularly at the top end where they feel Hartlepool pays less compared to regional authorities.

4.3 Special schools are asking for a mechanism for annual inflation. Although limited, since 2019/20, schools funded via the schools block receive an element of MFG inflation each year. In contrast, the current special school MFG is fixed at 100% so no inflation is paid.

4.4 Were the special school MFG arrangement to remain, special schools are requesting a backdated inflation calculation to reflect the lack of inflation in 2019/20 and 2020/21. This would be more aligned to the separate proposal presented to Forum to add 3 years of inflation to the top-up ranges.

4.5 The following table summarises the proposals from special schools and provides a commentary on the timing for review of each proposal.

|  |  |  |  |
| --- | --- | --- | --- |
| # | Description | Commentary | Timing |
| Proposal 1 | Remove the current MFG arrangement | This is only possible alongside a review of top-up ranges. Otherwise, special schools would be unable to function financially. | Consider as part of MTFS and report back to Schools’ Forum. |
| Proposal 2 | Review top end of top-up ranges | It would not be feasible to review certain top-up rates without a wider review. The discussion around applying bandings for the Horizon School and the new Free School need to be brought into this exercise. Such a review would take time and need to feed into the high needs MTFS. | Consider as part of MTFS and report back to Schools’ Forum |
| Proposal 3 | Introduce a mechanism for annual inflation | Until the 3-year MTFS work is complete, the affordability of ongoing annual inflation is unknown. | Consider as part of MTFS and report back to Schools’ Forum |
| Proposal 4 | Amend the current proposal for MFG inflation so that it reflects backdated amounts | This proposal could be considered in time for 2021/22 budgets. | Begin consultation and present to Forum for decision in December 2020 |

**5. 2021/22 Budget Proposals for Consultation**

5.1 Consultation with Schools’ Forum has already begun on two budget proposals for 2021/22. These were:

a) Apply 2% or 3% inflation to Special Schools in 2021/22. 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.

b) Apply backdated inflation to SEND top-up ranges based on Teaching Assistant pay awards for 2019/20, 2020/21 and 2021/22.

5.2 Proposal 4 shown in the table at paragraph 4.5 of this report would be an amendment to proposal (a). Proposal (a) related to one year inflation only whereas amended proposal 4 would apply 3 years of inflation.

5.3 Schools’ Forum are asked to consult with the schools they represent on the following options:

|  |  |  |
| --- | --- | --- |
| Option | Description | Rationale |
| 1 | Apply 3 years of inflation to special schools MFG at 3% | 3% aligns with the funding floor guarantee in the Schools Block for 2021/22 |
| 2 | Apply 3 years of inflation to special schools MFG at 2% | 2% aligns with the Minimum Per Pupil increase in the Schools Block for 2021/22 |
| 3 | Apply 3 years of inflation to special schools MFG that mirrors the MFG to all other schools (i.e. funded within the schools block) | MFG would be consistent across all schools, including special schools for the 3 year period |

**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 the options presented in the table at paragraph 5.3 of the report.

c) prepare for a vote on the two budget proposals for 2021/22:

> the application of 3 years inflation to SEND top-up ranges (at 2.75%)

> the application of 3 years inflation to Special Schools MFG (options 1-3)