**Report to Hartlepool Schools’ Forum 2 February 2021**

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

**Item 7 : High Needs Block Budget Update 2021/22**

1. **Introduction**
   1. The purpose of the report is to outline updated high needs block funding for 2021/22 and the associated budget requirement.
   2. ESFA published updated high needs funding information on 17 December 2020.
   3. 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. Forum will recall that, as with the Schools Block, the High Needs Block NFF for 2021/22 includes new funding for Teachers Pay Grant (TPG) and Teachers Pension Employer Contribution Grant (TPECG). Until April 2021, these grants were paid outside of the NFF to special schools and the Horizon School (Pupil Referral Unit).
   2. By excluding the new TPG and TPECG funding so as to provide a like for like comparison, Hartlepool has benefited from a 12% (£1.563m) increase in 2021/22 (16% in 2020/21). This is the second successive year of significantly increased funding. As no block transfer is proposed for 2021/22, this reduces the year on year increase to £1.234m.

**3. Updated 2021/22 Funding**

3.1 The updated High Needs Block allocation for 2021/22 is shown in the following table.

|  |  |
| --- | --- |
| **High Needs Block** | **2021/22 Funding**  **£m** |
| DSG High Needs Block Allocation (before funding of academies) | 14.769 |
| Recoupment for academy funding | (2.080) |
| **Total High Needs Funding 2021/22** | **12.689** |

3.2 The 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.

3.3 The High Needs Block funding formula continues to be largely influenced (over 30% of funding) by the fixed rate factor for historic costs. Forum Members will recall that the historic cost factor is based on 50% of our 2016/17 spend baseline published in August 2017 (the baseline year for the national funding formula) and therefore not reflective of changes in demand and complexity of need.

3.4 The graphs below provide a reminder of the High Needs formula breakdown based on our updated 2021/22 allocation. Graphs show percentage per factor and monetary value per factor respectively.

**4.** **2021/22 Budget Requirement**

4.1 The planned high needs budget for 2021/22 is shown in the table below:

|  |  |
| --- | --- |
| High Needs Block Budget Requirement 2021/22 | £m |
| Place Funding - Maintained | 1.366 |
| Independent School Fees | 3.081 |
| Out of Authority Top-ups | 0.482 |
| Alternative Provision (including Horizon School) | 0.753 |
| Top-ups and Support | 5.365 |
| Post-16 Top-ups | 0.720 |
| High Needs Services | 0.467 |
| Contribution to Reserves (repay deficit) | 0.173 |
| Provision for MTFS proposals | 0.282 |
| **Total Budget** | **12.689** |

4.2 Work to establish the three-year MTFS is underway. The MTFS will provide information to support planned budgets over a three-year planning period. Until the MTFS work is complete, any budget changes have been reviewed for 2021/22 only.

4.3 The planned budget at paragraph 4.1 includes two proposals for implementation for 2021/22 only, pending the completion of the three-year MTFS. The proposals have been recommended for approval at Children’s Services Committee on 27 January 2021 by Schools’ Forum.

4.4 The first proposal is to increase the SEND top-up ranges payable to schools to fund additional provision and support for pupils with SEND. The top-up ranges were approved by Children’s Services Committee and implemented during 2018/19. Rates have not been inflated since implementation in 2018/19 as high needs funding from government has been insufficient to cover the known budget requirement.

4.5 At their meeting on 9 December 2020, Schools’ Forum voted unanimously to recommend application of inflation at the rate of 2.75% for each of the financial years 2019/20, 2020/21 and 2021/22. This equates to inflation of an overall 8.5% to be applied in 2021/22 only.

4.6 The cost of this proposal in 2021/22 is estimated at £0.135m. This cost is considered fully affordable within the High Needs Block funding available.

4.7 The second proposal is to increase the level of Minimum Funding Guarantee (MFG) payable to special schools (Springwell Primary School and Catcote Academy). Children’s Services Committee approved and implemented the MFG arrangement in 2018/19. Since 2020/21, the regulations have required that special schools receive protection of at least 100.00% of their prior year MFG budget. Authorities are able to provide protection of above 100.00% at Member’s discretion.

4.8 At their meeting on 9 December 2020, Schools’ Forum voted unanimously to recommend the application of protection at 103.00% - an additional 3% above the minimum requirement within the regulations. Schools’ Forum recommend that the additional 3% is applied across financial years 2019/20, 2020/21 and 2021/22. This equates to inflation of an overall 9.3% to be applied in 2021/22 only.

4.9 The cost of this proposal in 2021/22 is estimated at £0.178m. This cost is considered fully affordable within the High Needs Block funding available.

4.10 Although there is a high level of confidence regarding the affordability of budget proposals presented at paragraphs 4.4 and 4.7 of this report, this position may not be sustainable in future years.

4.11 To mitigate this risk, both proposals are restricted to one financial year (2021/22) whilst the MTFS is completed.

4.12 The MTFS will allow for a greater consideration of risk for the demand and complexity of SEND provision over a three-year planning period.

**5.** **Recommendations**

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