

Cabinet

16 December 2019

High Needs Block (Decision to be Made under the Council's Urgency Procedure)

Recommendations

That Cabinet:

- 1) Approves the report and action plan agreed by Schools Forum to ensure efficient use of the High Needs Block (part of Dedicated Schools Grant)
- 2) Agrees that as a precautionary measure that the Council continues at this stage with the disapplication application to move 0.5% of Dedicated Schools Grant from the Schools Block to the High Needs Block until the Leader in consultation with the Portfolio Holder Education makes a final, decision whether to continue or withdraw the disapplication application should anticipated changes in financial regulations still make this relevant.

1.0 Background

- 1.1 The High Needs Block is part of the Dedicated Schools Grant. In 2019/20, £62.4m was allocated for high needs provision, however the projected expenditure is expected to be £4.3 overspend (period 6). This is despite additional funding from DfE (£1.2m), additional WCC funding (£2.1m) and a savings programme that has led to a reduction of staffing (£1.4m, with a further £1.1m to be saved in 2020/21).
- 1.2 Warwickshire is not alone in forecasting overspend on the High Needs Block. In September the [National Audit Office reported](#) that the system for Special Educational Needs and Disabilities (SEND) was not financially sustainable and that 81% of local authorities had overspent their High Needs Block budget.

2.0 Purpose

- 2.1 The purpose of this report is to seek Cabinet approval for the approach to tackle the financial pressure on the High Needs Block – particularly the spend on SEND, which forms the majority of expenditure.
- 2.2 In response to new projections, forecasting increasing expenditure in future years a task and finish group was set up with local school leaders to develop an action plan to address the financial imbalance. A report and action plan were presented to Schools

Forum on 17th October. The report explains the statutory duties and other factors that have resulted in increased spend. The report and action plan are attached at Appendices A and B (with minor amendment following comment).

- 2.3 It should be noted that the recommended actions are not 'quick wins' and many are likely to take effect in 3-5 years.
- 2.4 The SEND & Inclusion Strategy was approved by Cabinet in April 2019. The strategy sets out the vision for provision for SEND locally, across education, health and social care. A primary driver for the strategy is to promote inclusion in mainstream schools, as a key way of managing demand for specialist provision and independent specialist provision. The work of the High Needs Task and Finish Group complements and adds to the SEND & Inclusion Strategy delivery plan. Promoting inclusion in mainstream schools, developing new models of specialist provision and workforce development remain key themes within the attached plan.
- 2.5 Schools Forum approved the report and the action plan.

3.0 Further developments

- 3.1 At the time of presenting the attached report to Schools Forum, an announcement had been made that an additional £700m would be made allocated to the High Needs Block for local authorities in 2020/21. The allocation to Warwickshire had not been announced. Since the meeting, it has been confirmed that the allocation is £4.8m for 2020/21 (0.7% of the total allocation). The forecast overspend on the High Needs Block in 2020/21 is £8.2m.
- 3.2 Local authorities are able to transfer up to 0.5% of their school's block funding out with the agreement of their Schools Forum¹. This equates to £1.7m that could be moved to the High Needs Block. The decision on whether or not to do this lies with the Schools Forum in the first instance, following consultation with schools. Under regulations, should WCC disagree with the decision of the Schools Forum it can 'disapply' to the Department for Education (DfE) to reallocate the 0.5%. The deadline for disapplication is 28th November 2019, but disapplication can be withdrawn at any point up to 16th January 2020. Owing to the tight timescales presented by this process this decision is to be made under the Council's Urgency procedure.
- 3.3 There are variables and caveats regarding disapplication. For example, the issue may become irrelevant dependent on anticipated changes to schools funding regulations for 2020/21. In October, the Department for Education ran a consultation on [Clarifying the Specific Grant and Ring-fenced Status of the Dedicated Schools Grant \(DSG\)](#) . This proposal is that '*the local authority must carry forward the whole of the overspend to the schools budget in future years.*' The consultation has closed with a decision expected 'in

¹ Schools revenue funding 2019 to 2020 Operational guide, p.6

time to inform the setting of local authorities' budgets for the financial year 2020-21.' If the proposal is confirmed, the disapplication would be irrelevant.

- 3.4 In addition to this, the local authority must ensure that the minimum per pupil funding is provided to each school (see 4.1). At time of writing, census data from October 2019 is awaited in order to see if this requirement can be met, once 0.5% is moved from the Schools Block to the High Needs Block. If this is not considered affordable, the disapplication will be withdrawn.
- 3.5 In order to keep options open, a disapplication has been submitted as a holding position. Further consideration will be given by Schools Forum on 16th January 2020. In the event that the issue remains relevant, that Schools Forum decide not to move 0.5% of funding from Schools Block to High Needs Block, that funding guidance have not been changed as a result of the consultation, and that the move is considered affordable in light of minimum per pupil funding, it is recommended that Cabinet authorises the Leader, in consultation with the Portfolio Holder, to decide whether to continue or withdraw the disapplication request.

4.0 Financial Implications

- 4.1 The principle of allowing the movement of 0.5% of the Schools Block DSG to the High Needs Block is set out in national guidance. However, there are financial constraints to this. The transfer needs to be affordable once the authority has met the minimum per pupil funding set out by the DfE. This assessment will be made once the pupil numbers for 2020/21 (from the October 2019 census count are available). Following the assessment, if the movement of 0.5% is affordable, the decision will need to include adjustments to the local funding formula to create the headroom to allow this as the method chosen will have a differential impact on individual schools, after consultation with the Schools Forum.

5.0 Environmental Implications

- 5.1 The action plan includes recommendations for increased resourced provision, specialist provision (to meet housing growth). The environmental implication for associated capital projects with these activities will be considered as part of the capital strategy reports to Cabinet.

6.0 Conclusions

- 6.1 As noted in the report, solving the deficit issue in Warwickshire and nationally is complex; there is no single solution. At the heart of the ISOS ["Have we reached the Tipping Point"](#) research is a simple challenge: "Local authorities have all the responsibility for maintaining high needs expenditure within budget, and yet have almost no hard levers with which to effect this. The continued viability of the system relies too much on the

ability of local government to cajole partners to enter into a collaborative, inclusive approach to developing and delivering local provision for SEND, without the powers to sustain such an approach in face of misaligned incentives”.

- 6.2 Cabinet is advised that national decisions on proposed changes to High Needs Funding are expected by early January and will be reported to Cabinet at the earliest opportunity.

Background papers

None

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This report was not circulated to members prior to publication:

Appendices

Appendix A - Report to Schools Forum (updated)

Appendix B – Action plan (part of SEND & Inclusion Strategy Delivery Plan)