

Proposal to transfer Schools Block funding to High Needs in 2024/25

Report to the Schools Forum 18 January 2024

1 Background

- 1.1 At the last Forum, held on 16 November 2023, the proposal to transfer 0.5% (£0.8m) of 2024/25 schools block to high needs was discussed (see Forum minutes).
- 1.2 Subsequently, T&W schools generally were consulted, with the document shown at Appendix A being distributed and LA officers attending the Primary Heads Forum on 23 November and the Secondary Heads Forum on 7 December.

2 Consultation Responses

- 2.1 25 responses were received from schools, broken down as follows:

Sector	Number in favour	Number opposed
Primary & Nursery	9	11
Secondary	4	0
Special	1	0
Total	14	11

- 2.2 Comments received were mainly from those schools opposed to the transfer and focussed on the already stretched nature of mainstream budgets and the amount of high needs within mainstream schools, with the resulting pressures on the budget.
- 2.3 Other issues raised included:
 - recognition that without a transfer, discretionary expenditure such as the Inclusive Schools Fund and Fair Share funding are at risk;
 - the desirability of the transfer being focussed on schools with healthy budget positions;
 - the need for more special school places; and
 - whether a compromise (i.e. a lesser sum being transferred) could be explored.
- 2.4 Forum members are invited to decide upon the proposal to transfer 0.5% of the schools block to high needs for 2024/25.

Tim Davis
Group Accountant
January 2024

Appendix A: Consultation document

Proposal to transfer Schools Block funding to High Needs in 2024/25

1 Purpose of Consultation

- 1.1 The purpose of this consultation is to survey your views on our proposal to move some schools block funding to high needs in 2024/25. The amount proposed is £805,000, representing 0.5% of the schools block.

2 Background

- 2.1 The Dedicated Schools Grant (DSG) is divided into four blocks, as follows:

	24/25 Allocation to T&W
Schools	£161.004m
High Needs	£36.450m
Early Years	tbc
Central School Services	£1.092m
Total (excluding early years)	£198.546m

- 2.2 Schools block funds mainstream schools, including mainstream academies. The main services that the high needs block funds are special schools, residential educational provision, high needs units attached to mainstream schools, alternative provision (e.g. pupil referral units, or PRUs), Educational Health & Care Plans (EHCPs) and post 16 high needs provision.
- 2.3 Funds can only be moved from the schools block to high needs if there is a Schools Forum vote supporting this, or, failing this, if the Secretary of State for Education approves it.
- 2.4 The Forum's vote should be informed by the views of all schools (including academies). Even if the Schools Forum supports the proposed transfer, anything over 0.5% of the schools block still requires the Secretary of State's approval.
- 2.5 Any transfer from the schools block to the high needs block is not 'baselined'. Any funds proposed to be transferred have to be newly agreed in the following year.
- 2.6 Following consultation, T&W's Schools Forum previously agreed to transfer 0.5% of the schools block to high needs in 2018/19 and 2019/20, following which the high needs budget situation had stabilised such that the transfer was no longer required.

3 Financial Context

T&W

- 3.1 High Needs funding allocated to T&W by the DfE over the past 5 years and the provisional allocation for 2024/25, are as follows.

2019/20	£21.979m
2020/21	£25.070m
2021/22	£27.803m
2022/23	£31.549m
2023/24	£35.001m
2024/25	£36.450m (provisional allocation)

3.2 It can be seen that the increase in the allocation for 2024/25 is significantly less than in previous years.

3.3 Pressures on high needs have been apparent for a number of years. The DSG position at the end of each financial year (FY) is reported in the local authority's published accounts and reported to the Schools Forum. The DSG balance since the end of 2017/18 (the deficit which led to the first request for a block transfer) has been as follows (deficit in brackets):

End of FY2017/18	(£544,000)
End of FY2018/19	£20,000
End of FY2019/20	£120,000
End of FY2020/21	£576,000
End of FY2021/22	£333,000
End of FY2022/23	£247,000

3.4 The DSG balance is predominantly determined by high needs, as expenditure and income in the other blocks approximately balance. Despite the increase in high needs funding in recent years, over the last three years the DSG balance has gradually declined.

3.5 The projections for 2023/24 suggest that by 31 March 2024, T&W may have incurred a substantial DSG deficit, of more than £1m, due to very significant increases in costs in several areas (see below). It is the combination of this projection with the much lower increase in funding for 2024/25 that forms the context to this request for a transfer of funds from the schools block.

Nationally

3.6 There is a national problem with high needs funding. The total deficit across all upper tier authorities (i.e. the 152 local authorities with education functions) does not appear to be gathered in any official document, but surveys of local authorities have suggested a very large sum. For example, last year the Society of County Treasurers, having surveyed their members, estimated a £3.6bn deficit by 2024/25, almost double the £1.9bn reported at the end of 2021/22.

3.7 DSG deficits are so widespread, and on such a scale, that the government has amended accounting rules until the end of financial year 2025/26, so that any DSG deficits are ring-fenced from local authorities' overall budget position. Without this change, the scale of DSG deficits in some local authorities would have threatened their financial viability.

3.8 The DfE has two intervention programmes to address high needs financial difficulties. The lower level intervention, entitled 'Delivering Better Value in SEND' involves 55 local authorities. The higher level intervention, 'Safety Valve', involves 34 local authorities. Authorities enter these programmes on the basis of either having or being projected to have significant DSG deficits. Authorities with the largest deficits are in the Safety Valve programme. To date, T&W has not been in either of these programmes.

Main areas of budget pressure

3.9 Expenditure on high needs in T&W has increased significantly in recent years, as can be seen by comparing the allocations each year (see 3.1 above) to the DSG balance at the end of the year (see 3.3 above). In essence year on year expenditure has approximately tracked the increase in funding, i.e. from £22m per annum in 2019/20 to £31.5m in 2022/23, an increase over the period of 43%.

3.10 The difference in 2023/24 is that the increase in high needs costs compared to 2022/23 is projected to be significantly more than the increase in funding (which was around £3.5m or 11%). Areas of particular pressure (2023/24 projected expenditure compared to 2022/23 actual expenditure) are as follows:

Special Schools & PRUs	8%	£1.454m
Independent placements	28%	£1.439m
EHCPs	33%	£0.780m

3.11 Other areas with significant increases, albeit with a lower financial impact than the three main areas above include home to school transport, post 16 colleges, alternative provision and the Fairshare fund (which provides additional funding to mainstream schools with significant cost pressures arising from high needs).

4 Impact of a 0.5% transfer

4.1 A 0.5% transfer would have the following impact upon a school's budget:

Transfer	Total transferred	£ per pupil	Illustrative Impact* on schools with:			
			210 pupils	420 pupils	600 pupils	1200 pupils
0.5%	£805,000	£29.56	£6,208	£12,415	£17,736	£35,472

5 Implications if the request for a transfer is not agreed

5.1 Local authorities can appeal to the Secretary of State if a request for a transfer of funds from the schools block is not agreed by the schools forum. However, the council at present has no intention of seeking to get any such vote overturned. We wish to achieve consensus locally, rather than forcing an outcome on schools.

5.2 This therefore leads to the question of what will happen if the transfer requested is not agreed.

5.3 The council will find itself in an extremely difficult financial position with regard to high needs. High needs expenditure in 2023/24 could potentially end up being higher than the announced allocation for 2024/25, i.e. in the context that the increase in 2024/25 is approximately £1.5m, the overspend for 2023/24 will almost certainly exceed £1m and that in 2023/24 we were able to add carried forward DSG of £0.247m to the 2023/24 DSG allocation.

5.4 Without policy changes, it is unlikely that we will be able to hold 2024/25 DSG expenditure at a similar level to 2023/24. There will be a further round of inflationary pressures (e.g. pay awards) and there is no sign that the upwards demand pressure is going to cease. However, most of the high needs expenditure commitments are difficult to bring down, at least in the short-term, given that high needs establishments need to continue to support their pupils, EHCPs cannot simply be ceased, etc.

5.5 In these circumstances, the likely action taken, in order to have a quick impact on high needs expenditure, would be to reduce the 'discretionary' elements of the budget. An example of this is the SEND fair share fund. This supports mainstream schools, with disproportionately high levels of expenditure on SEND and in 2023/24 is currently forecast to account for around £355,000 of high needs expenditure. Another area could be the alternative provision fund,

largely for secondary schools, which supports creative and innovative practice for children with SEMH which accounts for £300,000. Another at risk area may include the Inclusive School Forum, largely used by primary schools, as a means to provide funding for early intervention to support children with SEND in mainstream settings.

- 5.6 Having incurred a deficit and if there isn't a clear path to stabilise the situation, the authority is also likely to find itself in a DfE recovery programme, e.g. Delivering Better Value in SEND. This will lead to greater scrutiny and involvement by the DfE in the local planning and decision making process around SEND. This would inevitably have an impact upon arrangements to date, whereby we have been able to work locally with schools and other providers to maintain a high quality, financially sustainable system of support for high needs.

Consultation Questions

- 1 Do you support the transfer of 0.5% of the schools block to the high needs block in 2024/25?

Yes

No

- 2 Do you have any comments you wish to make?

Thank you for responding to this consultation. Please send your responses to Andy Wood, andy.wood@telford.gov.uk by Friday 15 December.

A summary of responses will be reported to the Schools Forum taking place at 9.30 am on Thursday 18 January 2024. School Forums are public meetings, so you are welcome to attend as an observer should you wish. The agenda and accompanying papers will be available on the Schools Forum section of T&W's website approximately two weeks before the meeting takes place.