

Cabinet

8 July 2020

High Needs Block Funding for SEND and Inclusion Support



Ordinary Decision

Report of Corporate Management Team

John Pearce, Corporate Director of Children and Young People's Services

John Hewitt, Corporate Director of Resources

Councillor Olwyn Gunn, Cabinet Portfolio Holder for Children and Young People's Services

Councillor Alan Napier, Cabinet Portfolio Holder for Finance

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 This report provides Cabinet with an update on spend and pressures on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG), which supports Special Educational Needs and Disability (SEND) and inclusion support services for children and young people.
- 2 The 2019/20 financial outturn position is outlined, along with the proposed five-year financial plan that aims to ensure HNB spending is kept to within available resources and the deficit which accumulated within the HNB is recovered over this period.
- 3 The report also contains an update on key work areas and planned next steps with HNB sustainability work which is being done alongside support to learning providers and families and recovery planning as a result of the coronavirus outbreak.

Executive Summary

- 4 In recent years there have been enduring pressures on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG) which provides funding for SEND and inclusion support services for children and young people.
- 5 A combination of ongoing austerity across the public sector, implementation of the SEND Reforms (2014) which increased support to cover children and young people from birth up to 25 years of age, and changing customer needs which are becoming more complex, meant there were insufficient resources to support children and young people with SEND and inclusion needs. This position is replicated in other local authorities and the Council has continued to feedback to the Government on spending pressures and request additional government funding for these services and local schools.
- 6 The final outturn position for the HNB in 2019/20 is a slightly improved position than previously reported to cabinet with an overspend of £8.6 million against the HNB DSG grant allocation, rather than the previously forecasted £9.4 million. The Council will fund £5.6 million of the overspend from its reserves and the balance of £3.0 million will increase the cumulative deficit position on the HNB reserve from £2.7 million to £5.7 million as at 31 March 2020.
- 7 Previous Government regulations required local authorities to submit a deficit recovery plan to the Department for Education (DfE) if their cumulative DSG deficit was in excess of 1% of their overall DSG grant allocation. For Durham this would have been if the cumulative deficit exceeded £3.9 million at the end of 2019/20. As Durham has positive DSG reserves relating to Early Years and de-delegated DSG of £1.9 million which offset the deficit of £5.7 million relating to the HNB, the net deficit position of £3.8 million would not have triggered the requirement for a deficit recovery plan to be submitted to DfE.
- 8 Despite the increase in Government HNB funding available for 2020/2021, previous forecasts showed there were insufficient resources to support predicted HNB expenditure in future years, and to bring the HNB deficit back into balance. To address this a five-year financial strategy was developed alongside continued work on the HNB sustainability plan work areas following the consultation period reported previously to cabinet. This seeks to reduce spending on HNB activity, try and ensure spending is kept to within the HNB resources available each year in future years and recover the HNB deficit by the end of 2024/2025.

- 9 The budgeted position for 2020/21 is that the additional Government HNB funding, along with a planned reduction of HNB expenditure in comparison to 2019/20, will mean that HNB expenditure is £0.2 million lower than the HNB DSG grant allocation in 2020/21 based on current forecasts of spending patterns.
- 10 Key elements of the sustainability plan work relate to the following areas which were subject to consultation and reported previously to cabinet:
- Centrally Managed Services
 - Special Schools
 - Top up Funding
 - Targeted Funding
 - Post 16 Funding
 - Funding support to Partnerships of Schools
 - Joint commissioning of therapies
 - Joint commissioning of equipment, aids and adaptations
 - Alternative Provision (AP) and the Pupil Referral Unit (PRU)
- 11 The report provides an update on each of these areas of work and covers where progress has been made, planned next steps and highlights that some areas of work are or may be disrupted due to the current coronavirus outbreak. It is also noted that the recovery period may be protracted in relation to some SEND support needs for children and young people.
- 12 Subject to cabinet approval, it is proposed that the SEND and Inclusion Resources Board continue to oversee the implementation of the work programme to deliver the proposed changes, the five year plan and any impact from the coronavirus outbreak. It is then planned to update cabinet again on HNB spend, forecasts and progress with key areas of work in winter 2020/21.

Recommendations

- 13 Cabinet are requested to:
- a) Note the final outturn position for HNB spend in 2019/20 along with the updated assumptions and forecast position for 2020/21;

- b) Agree to the proposed five-year financial plan for 2020/21-2024/25 which includes a deficit recovery plan for previous HNB overspend;
- c) Agree to the five-year plan being regularly reviewed and updated, including taking into account any impacts from the coronavirus outbreak and subsequent recovery period which may be protracted in relation to SEND support needs;
- d) Note the update on key areas of work outlined in the report and proposed next steps;
- e) Receive a further update on HNB spend, forecasts and progress with key areas of work to Cabinet in winter 2020/21.

Background

- 14 Cabinet received a detailed report in January 2020 which covered spending and pressures on the HNB of the DSG, an overview of findings from the three-month public consultation which took place in 2019 and recommendations for taking key work areas forward to seek to make the HNB more sustainable. This included work on a five-year financial strategy for 2020/21 – 2024/25 to support sustainability of the HNB and a financial recovery plan to bring the account back into balance by 2024/25.
- 15 The SEND and Inclusion Resources Board (SIRB) oversees the implementation of the work programme associated with this work and Cabinet agreed to receive a progress report in the summer.
- 16 The Council has continued to lobby the Government on the unfunded pressures facing the Council in recent years and work with other organisations such as the County Council Network and the Local Government Association in doing so. Durham County Council's Cabinet Portfolio Holder for Children and Young People's Services (CYPS) has written to the Secretary of State on several occasions¹ to continue to request additional government funding for local pressures in respect of supporting SEND and inclusion services in County Durham and resourcing schools. The latest correspondence was sent to the Secretary of State in early March 2020 following the last Cabinet report on SEND in January 2020 and the feedback received in the consultation period.
- 17 A detailed report on the HNB covering an update on funding, the proposed five-year plan, feedback on the Cabinet report and public consultation and a copy of the most recent letter to the Secretary of

¹ Previous Letters from Councillor Olwyn Gunn, DCC Cabinet Portfolio Holder for CYPS were sent to the Secretary of State in September 2018, October 2018, February 2019, May 2019 and August 2019

State was prepared and circulated to the Schools Forum for its March 2020 meeting. The March Schools Forum meeting did not go ahead due to the coronavirus outbreak and we have continued work on the priority areas where we can in the meantime but allowing for the priority needs relating to managing the coronavirus outbreak. A further update was provided for the Schools Forum meeting in June which went ahead as a virtual meeting.

- 18 It is recognised that the coronavirus outbreak and the subsequent recovery period is likely to mean some of the work on HNB sustainability and more broad SEND transformation work is disrupted and the highest priority is being given to supporting vulnerable children, their families and learning providers during this time. The SIRB is continuing to meet regularly through virtual meetings and its work will include taking into account any impacts from the coronavirus outbreak and subsequent recovery period which may be protracted in relation to SEND support needs.

2019/20 HNB Outturn Position and Accumulated Deficit

- 19 The position reported to Cabinet in January 2020 forecast that expenditure in 2019/20 would exceed the HNB DSG grant allocation by £9.4 million. The Council had previously agreed to fund £5.6 million of the overspend from its reserves and the forecast balance of £3.8 million would have increased the cumulative deficit position on the HNB reserve from £2.7 million to £6.5 million as at 31 March 2020.
- 20 The final outturn position for the HNB in 2019/20 is a slightly improved position with an overspend of £8.6 million against the HNB DSG grant allocation. The Council will fund £5.6 million of the overspend from its reserves and the balance of £3.0 million will increase the cumulative deficit position on the HNB reserve from £2.7 million to £5.7 million as at 31 March 2020.
- 21 New regulations came into force on 21 February 2020, which require Councils to carry forward deficits to be funded from future DSG income and only allow deficits to be funded from general resources with the specific permission of the Secretary of State for Education.
- 22 Previous Government regulations also required local authorities to submit a deficit recovery plan to the Department for Education (DfE) if their cumulative DSG deficit was in excess of 1% of their overall DSG grant allocation. For Durham this would have been if the cumulative deficit exceeded £3.9 million at the end of 2019/20. As Durham has positive DSG reserves relating to Early Years and de-delegated DSG of £1.9 million which offset the deficit of £5.7 million relating to the HNB,

the net deficit position of £3.8 million would not have triggered the requirement for a deficit recovery plan to be submitted to DfE.

- 23 The updated guidance requires local authorities that have a deficit on their DSG account at the end of the 2019/2020 financial year, or whose DSG surplus has substantially reduced during the year, to co-operate with the DfE in handling that situation. In particular, local authorities must:
- Provide information as and when requested by the department about its plans for managing its DSG account in the 2020 to 2021 financial year and subsequently.
 - Provide information as and when requested by the department about pressures and potential savings on its high needs budget.
 - Meet with officials of the department as and when they request to discuss the local authority's plans and financial situation.
 - Keep the schools forum regularly updated about the local authority's DSG account and plans for handling it, including high needs pressures and potential savings.
 - The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where he believes that they are not taking sufficient action to address the situation.

Latest Forecast for 2020/21

- 24 The Government has confirmed a significant increase in HNB grant for County Durham, meaning there will be an additional £8.8 million available for 2020/2021.
- 25 The budgeted position for 2020/21 (see table at Appendix 2) is that this additional funding, along a planned reduction of 0.1% in HNB expenditure in comparison to 2019/20, will mean that HNB expenditure is currently forecast to be £0.2 million lower than the HNB DSG grant allocation in 2020/21.

HNB Five-Year Financial Plan for 2020/21 – 2024/25

- 26 The high-level five-year financial plan is presented at Appendix 2 and the detailed information is presented at Appendix 3.
- 27 The plan includes a revised HNB grant allocation for 2020/21, following final funding announcements from DfE in March 2020, and revised assumptions about HNB grant and expenditure in future years. These will be regularly updated as circumstances change.

HNB Grant

28 Nationally in 2020/21, additional funding of £2.6 billion has been announced for schools, which comprises £0.780 billion for HNB (30%) and £1.82 billion for Schools Block (70%). The confirmed allocations for overall schools funding for the following two years are £2.2 billion in 2021/22 and £2.4 billion in 2022/23, but at this stage there is no further information about how this will be split between HNB and Schools Block.

29 The Council asked DfE to provide guidance on whether we can expect funding to be split on a similar basis in the following two years as in 2020/21, or whether it is more likely there will be a smaller increase for the HNB and a greater proportion going to the Schools Block in 2021/22 and 2022/23. The response from DfE is shown below:

“We understand the need for early announcements to allow you to plan and are looking to publish allocations as soon as we can.”

30 A report published by the Local Government Association (LGA) and ISOS in late 2018 highlighted a forecast gap in national SEND funding of between £1.2 billion and £1.6 billion by 2021. This finding was highlighted by the House of Commons Education Select Committee in their report on Special Educational Needs and Disabilities published in October 2019, which included a recommendation for Government to increase funding by at least £1.2 billion to cover the projected deficit.

31 In order to estimate future levels of HNB funding for the five-year plan, it has been assumed that the Government intends to meet this request for additional funding of £1.2 billion. It is therefore anticipated there will be a further £0.4 billion of HNB funding to come in addition to the published increase for 2020/21, and that this increase will be equally split between the 2021/22 and 2022/23 financial years.

32 Using these assumptions as a basis, it is estimated that the HNB DSG grant for Durham will increase by 4% in 2021/22 and by a further 4% in 2022/23. It is possible that the Government may change its position on the proposed funding for 2021/22 and 2022/23, depending upon the financial impact of the coronavirus pandemic and other factors, however at this stage the assumption is that the funding remains as originally announced.

33 The financial model also assumes that HNB DSG grant will not increase in 2023/24 and 2024/25 on the basis that no additional funding for the period beyond 2022/23 has been announced. We expect Government funding should, and will, increase in later years in response to inflationary cost pressures and SEND demand, however it is considered prudent in the five-year plan to assume no increase at this stage.

- 34 The impact of the assumptions outlined above is an additional £9.6 million of HNB grant for Durham across the five-year period of the plan when compared to the assumptions used in the report presented to Cabinet in January 2020.
- 35 In circumstances where the actual HNB grant allocations fall short of the assumptions made in the plan because there is a greater allocation to the Schools Block than is currently anticipated, the Council will ask Schools Forum to consider a transfer from the Schools Block to the HNB to cover the shortfall on the HNB.
- 36 The five-year financial plan will remain under regular review, specifically with regard to the impact of coronavirus, and will be revised as and when funding levels are confirmed and expenditure plans develop.

HNB Expenditure

- 37 There are areas of HNB expenditure where we forecast there will be above-inflation increases to costs due to demand pressures. This is specifically the case for post-16 provision and the table below highlights projected increases of more than £1 million in this area. Other budget areas are forecast to see increases in line with inflation or remain static.

Forecast pressures	Outturn 19/20 £m	Budget 20/21 £m	Change £m	Change %
INMSS-Post-16	2.770	3.463	0.693	25
FE-Post-16	3.681	4.024	0.343	9
Nursery top-up	0.375	0.500	0.125	33
Sub-total	6.826	7.987	1.161	17
Other areas	46.336	46.817	0.481	1
Total	53.162	54.804	1.642	3

- 38 There are several budget areas where a reduction in costs is forecast as a result of actions already taken, or those planned to occur during the 2020/21 financial year. This builds on other areas of savings previously reported. These new areas are highlighted in the table below:

Forecast reductions	Outturn 19/20 £m	Budget 20/21 £m	Change £m	Change %
Recharges from the LA	0.711	0.150	-0.561	-79
Targeted support funding	0.899	0.430	-0.469	-52
Special school top-up funding	1.382	1.092	-0.290	-21
CoL funding	0.966	0.573	-0.393	-41
Total	3.958	2.245	-1.713	-43

- 39 Assuming the cost reductions built into the figures above are achieved, the HNB budget position for 2020/21 is a forecast underspend of £0.2

million against the HNB DSG grant allocation. Any underspend will go towards reducing the cumulative deficit on the HNB reserve or be available to support currently unknown funding pressures later in the year.

- 40 The table at Appendix 2 outlines forecast HNB DSG grant allocations and HNB expenditure across the five-year period, and it is currently forecast that the cumulative deficit on the HNB reserve will be recovered in full by the end of 2024/25.

Key Risks

- 41 The following risks have been identified to the successful achievement of the five-year funding and deficit recovery plan:
- Assumptions about higher HNB grant levels in 21/22 and 22/23 may not materialise
 - Planned cost reductions in 2020/21 may not be achieved
 - Increases in demand may be higher than anticipated in the model
 - Increases in costs may be higher than anticipated in the model
 - The coronavirus outbreak may bring additional cost pressures when more children and young people partially or fully return into learning environments
 - The financial impact of the coronavirus on the national economy may lead to reductions in school and HNB funding in future years

Progress on Main Areas of HNB Sustainability Work

- 42 Between July and October 2019, the Council publicly consulted on proposals relating to the following areas identified for review in light of their impact on HNB spending:
- Centrally Managed Services
 - Special Schools
 - Top up Funding
 - Targeted Funding
 - Post 16 Funding
 - Funding support to Partnerships of Schools
 - Joint commissioning of therapies
 - Joint commissioning of equipment, aids and adaptations

- Alternative Provision (AP) and the Pupil Referral Unit (PRU)
- 43 The majority of respondents to the consultation were in favour of the Council adopting all but one of the proposals (relating to a 3-day week Post 16 provision), associated with the above nine areas of review.
- 44 Cabinet approved the proposals and recommendations within the report on 15 January 2020, and since then further work has been conducted on many of these key areas of work. A brief summary for each is outlined below.

Centrally Managed Services

- 45 Various savings have already been made in these service areas and during 2019 three reviews were conducted that resulted in the following significant reductions to HNB expenditure:
- (i) Review of home to school transport for the Pupil Referral Unit (PRU): £0.600 million – transferred from HNB requirement to DCC home to school budget pressure
 - (ii) Review of Frontline services re-charges: £0.711 million reduced to £0.150 million (part year charge) in 20/21 and £0.300 million in 21/22 onwards
 - (iii) Review of management and support re-charges: £0.104 million – reduction in HNB funding
- 46 Early Years SEND Funding which sits within Centrally Managed Services was also identified as an area for review. This funding is used to provide additional support and/or equipment for children with significant SEND and/or complex medical needs who are accessing their nursery education entitlement (3 and 4 year olds and additional 15 hours where eligible).
- 47 This area was overspent in 2018/19. Immediate revisions to the offer were introduced in 2019/20, including establishing consistent funding rates and terms and significantly reducing agency costs. Further review of the offer is planned which is interdependent of the review of Top Up Funding.
- 48 Further work on other areas of spend is being scheduled and will involve conducting further reviews of: Education Health Needs; Sensory Support; Specialist Inclusion Support (including Cognition and Learning, Communication, Interaction and Autism); and Equalities and Intervention; in order to support a consistent and fair approach, improved quality of service, value for money and any further reduction in costs to the HNB where this is possible.

Special Schools

- 49 Work has been undertaken with Special Schools to provide them with a guaranteed minimum budget statement for the 2020/21 financial year, which was provided to schools in November 2019. Following this, a round of discussions to plan for the September 2020 intake has taken place allowing schools to increase capacity where possible and reduce the use of private independent provision.
- 50 In February 2020 schools were provided with a final budget statement, providing them with a high level of budget confidence, two to three months in advance of previous years.
- 51 Developments to increase capacity includes the planning and implementation of six modular classrooms at The Oaks Special School to realise up to 40 places for young people with discrete autism needs. The classrooms are planned to be operational for Autumn 2020. Further work is taking place to safely increase provision in other key areas supported with funding from the capital allocation awarded to the authority through the Special Provision Capital Fund.

Top up Funding

- 52 Top up Funding (TuF) is the granting of HNB funding to schools when provision to meet an individual child or young person's SEND needs would cost more than the school's core funding budget including the notional SEN budget.
- 53 At present every school determines the amount of extra funding they need for each child. This has resulted in differences in the amount of support a young person receives depending on the school's considerations and how the school completes an application and calculates the funding. Some schools make a number of TuF requests, while others submit very few. Some schools access a significant resource for provision that other schools consider as core to their offer. Overall, Top up Funding is unsustainable in the long term within the HNB funding available.
- 54 Whilst some work has already taken place to improve quality assurance and value for money, further improvements are required to ensure a robust process is in place that is visible and understood by all schools as well as parents and carers. This would help reduce the variability in applications for Top up Funding and ensure a fair and appropriate allocation of funds.
- 55 The majority of respondents to the public consultation held last year agreed with the proposal for a 'banding system' to be developed and

applied to Top up Funding to support schools, thereby helping to ensure SEND needs are consistently and more appropriately met.

- 56 This project aims to help ensure that: more children and young people with SEND needs are retained within mainstream education; parents have confidence in the support provided to children which will be timely, aligned to needs, and provided in the right place; and set outcomes for children and young people are met.
- 57 Over the summer and autumn terms we will be working on a number of key deliverables and will be engaging with schools and other stakeholders to develop a new system. Our aim is to have the new Top up Funding system implemented by 1st April 2021 if this is feasible in the current climate but will keep this under review.

Targeted Funding

- 58 The previous process for allocating Targeted Support funding to schools was acknowledged as being complex and opaque and was based on a formula driven approach which wasn't well understood. Feedback from schools identified that some schools were unaware of the reason why they were receiving funding, or in some cases why they were not receiving funding.
- 59 The process for allocating Targeted Support funding was amended with effect from 01 April 2020 and we have started to have conversations with some schools about this, especially where the school budget had a high reliance on this funding. Schools will no longer receive an automatic payment of Targeted Support funding. Targeted Support funding will instead be provided when a school applies for help. We have written to all schools and advised them to contact the SEND team to discuss their case and to support them through a new application process which we have tried out with a few schools already. We will review and amend this further based on feedback in coming months to try and ensure this funding is used where a school has a significant funding gap for their cohort of young people with SEND which is not supported sufficiently from the core budget and Top up Funding applications.

Post 16 Funding

- 60 The fair pricing framework has been established across the post 16 sector and this has helped providers plan accordingly provided necessary controls to HNB expenditure.
- 61 All providers have submitted individually costed plans for each of their High Needs learners. Each submission has been quality and value assured from the SEND Casework team providing appropriate

challenge to ineligible spend and support where needs could be met more efficiently.

- 62 Interim payments have been made to providers during this application and review process to ensure necessary cashflow. Further work is required across the providers to support improvements in timeliness of their applications and the quality of requests. This will limit the need to make interim payments during a lengthened scrutiny phase and improve financial forecasting for both the providers and the local authority.

Funding Support to Partnerships of Schools

- 63 Funding from the HNB is allocated to each Community of Learning (CoL) and Behaviour Partnership (BP) with delegated authority to determine local need and to allocate this funding to meet local needs.
- 64 A review of the process for allocating funding to partnerships of schools was conducted early in 2019 resulting in a pilot being implemented between June and July 2019. This required partnerships of schools to submit an application for funding based on a clear business case and this generated a saving of circa £0.280 million to the HNB for 2019/2020.
- 65 At its January 2020 meeting, the Council's Cabinet agreed for a new process based on this successful pilot to be rolled out from March 2020. The business case template and guidance was reviewed and updated in accordance with the latest financial information and letters inviting partnership chairs to submit their business cases were issued in early March 2020. The majority of partnerships were able to submit a business case to us in April and a panel has been meeting to review, approve or provide feedback if further clarification of spend plans is required.
- 66 The amount of funding for Behaviour Partnerships has been retained at 2019/20 levels (approximately 1% of overall HNB allocation) and the amount available to CoLs reduced to 1% of the HNB allocation. This reflects feedback from schools and the Schools Forum previously about areas to make savings from whilst still supporting important work to continue. This will be reviewed in line with the five-year funding plan for the HNB.

Joint commissioning of therapies and joint commissioning of equipment, aids and adaptations

- 67 Activity relating to the joint commissioning of paediatric therapies and equipment, aids and adaptations has been severely hampered by the coronavirus outbreak. The re-prioritisation of activity linked to the

outbreak has impacted upon the availability of key clinicians across the respective NHS provider health trusts as well as access to key personnel across local education settings. It is anticipated that this activity will be taken forward as we enter into the recovery phase.

- 68 In the interim, all efforts have been made to ensure that children who require a high level of support from paediatric therapy services have been prioritised during the coronavirus outbreak.

Alternative Provision (AP) and the Pupil Referral Unit (PRU)

- 69 The Woodlands, Pupil Referral Unit (PRU), is the Durham County Council provision for both permanently excluded pupils and those identified as close to permanent exclusion, delivering a personalised academic, social and therapeutic programme. There is continued huge pressure on The Woodlands as on-site capacity for permanently excluded pupils is much lower than the need for places which currently outstrips capacity by more than 2:1.
- 70 Alternative provision refers to any education not in mainstream, special school or academy. Alternative education supports over 500 young people across the county. Over 100 young people are attending because there is not sufficient on-site capacity at The Woodlands. Others have been referred directly from schools or through the Behaviour Partnership Panels.
- 71 Following an external review of the provision in July 2019, a team led by the Head of Education and Skills has developed and implemented a plan for fostering inclusion, preventing exclusion and facilitating the effective and equitable use of quality alternative provision within County Durham and improving the rate of reintegration to mainstream schools or specialist provision according to need. This is being delivered through four task and finish groups with the following remit:
- **Headteacher/ Support Services Working Group with a remit to:**
 - agree expectations/ thresholds of support that should be offered by any school before a decision is made on a permanent exclusion
 - agree the expectations for a multi-agency offer of support to work in partnership with schools, young people and their families.
 - **Panel Chairs Working group with a remit to:**
 - revisit the role, remit and expectations of the panels
 - develop a wider role to take collective responsibility for every child and young person
 - agree a fair and transparent allocation of the resources through a robust term of reference and protocols

- **Reintegration Working Group with a remit to:**
 - develop a reintegration protocol to support pupils who have been permanently excluded
- **Transition Planning Working Group with a remit to:**
 - enhance transition across all key stages
 - develop better understanding of the extent and impact of pupil mobility
 - agree a countywide transition protocol

- 72 The task and finish groups are in place and initial meetings took place prior to the coronavirus outbreak. This work is now starting to pick up pace again and will develop over the coming months with a full implementation date of September 2021 with a stated aim to make every effort to use all the resources available to young people effectively and efficiently and to maintain spending within funding limits.
- 73 The Woodlands budget for 2020-21 has been set at £5.776 million, with an expectation that the service is delivered within this.
- 74 Behaviour panels will manage their funding of £0.573 million through business plans, but with an enhanced collective responsibility to avoid permanent exclusion and increase the rate of reintegration.

Conclusion

- 75 The spending pressures on the HNB continued during 2019/20 and whilst the final outturn of the overspend position was lower than previous estimates reported the final position reflects an overspend of £8.6 million and accumulated deficit increasing by £3.0 million giving a total deficit to recover of £5.7 million in coming years. Durham County Council invested £5.6 million from the Budget Support Reserve to supplement the HNB in the previous financial year and had this not been done the accumulated deficit would have been £11.3 million.
- 76 While additional Government funding available for 2020/2021 was welcomed, it was insufficient to support the predicted HNB expenditure in future years and pay back the accumulated deficit. We have, therefore, developed a five-year financial strategy alongside the strands of work detailed in this report and collectively this work aims to ensure that: HNB spending is kept to within forecast expenditure levels; the deficit is recovered within a timely period; improved value for money is achieved; funding is allocated fairly; spending is making measurable impact and is contributing to the realisation of good outcomes for children and young people with SEND and inclusion needs across County Durham.

77 We understand that the current situation with the coronavirus outbreak is causing uncertainties and making budgeting more difficult for all our services, learning providers and other partners. We will continue to regularly monitor spend and forecasting of resources in coming months and work closely with partners across education, health and care as we seek to make our best endeavours to support young people with SEND and those who need inclusion support services.

Background papers

- Durham County Council Cabinet Report: High Needs Block Funding for SEND and Inclusion Support, 15 January 2020

<https://democracy.durham.gov.uk/documents/s117590/7%20HNB%20SEND%2015%20January%202019%20V1.2.pdf>

Author(s)

Martyn Stenton

Tel: 03000 268067

David Watchman

Tel: 03000 268573

Appendix 1: Implications

Legal Implications

Sections 45-53 of the School Standards and Framework Act 1998 sets out the funding framework governing schools finance.

The Children and Families Act 2014 covers the SEND reforms and is accompanied by statutory guidance for organisations to follow through the SEND code of practice: 0 to 25 years (2015).

The overarching legal implication within the report is the Equality Act 2010 with respect to the Public Sector Equality Duty (PSED). Section 149 of the Act details the requirement when taking decisions to have due regard to the need to advance equality of opportunity for people with protected characteristics, foster good relations between such groups and eliminate unlawful discrimination. It is necessary the impact on those groups is analysed as part of each area of work linked to HNB sustainability.

Finance

The report highlights the overspend and deficit position in the HNB. The outturn position for 2019/20 is an overspend of £8.6 million, with £5.6 million of this being supported by the Council's general fund (Budget Support Reserve). The cumulative deficit on the HNB reserve as at 31 March 2020 is £5.7 million.

The Government has made additional HNB DSG funding available in 2020/2021 and financial modelling has shown that this, along with planned expenditure reductions, will be sufficient to cover the forecast HNB expenditure in 2020/21.

Based upon assumptions of HNB DSG allocations for the following four years, it is forecast that the cumulative deficit on the HNB reserve will be recovered by the end of 2023/24.

The report sets out several actions as part of an HNB sustainability plan which seeks to support children and young people with SEND within the resources available. Alongside this, the Council and other local authorities are continuing to lobby the Government for additional resources.

Consultation

Section 19 of the Children and Families Act 2014 makes clear that local authorities must ensure that children, young people, parents and carers are involved in decisions about local provision.

The previous report to cabinet outlined the approach to and findings of a public consultation, aimed mainly at early years settings, schools, special schools and colleges along with other stakeholders including children and families. Further consultation and stakeholder engagement is taking place regarding individual pieces of work identified in this report.

Equality and Diversity / Public Sector Equality Duty

As the nine priority areas of the HNB sustainability programme affect 0-25 years old with SEND and their families, parents and carers there is potential impact for the protected characteristics of age, disability, sex and ethnicity. There is disproportionate impact in relation to sex (both male and female) and ethnicity. Significantly more males have an ECHP (74%). In terms of impact on women, evidence suggests they are more likely to have caring responsibilities for children and young people. Ethnicity data shows there is potential disproportionately in terms of ethnic minorities with special education needs (SEN).

Proposals to address priorities are designed to ease funding pressures and contribute towards longer term sustainability for SEND education. Negative impact is therefore not anticipated, as proposals aim to create a more inclusive and targeted SEND education offer by addressing need yet ensuring value for money through ensuring consistency and quality of centrally managed services, linking funding to evidence of impact, extending the range of specialist places, improving staff training, joint commissioning to ensure consistency and value for money and reducing pupil exclusions. This should impact positively in terms of disability, age (children, young people with SEND and their parents or carers), sex and ethnicity.

Climate Change

An intended outcome of this programme of work, is to increase support for young people to attend local schools, rather than travel to schools that are further away, both within and outside of the county. The successful delivery of the programme will result in reduced miles travelled by pupils, thereby reducing carbon dioxide emissions and potentially a reduced contribution to local traffic congestion.

The joint commissioning of equipment and auxiliary aids will help to reduce waste and consumption of resources, through the improved oversight, management and reuse and maintenance of equipment.

It is intended that the reviews of our business processes within the SEND Casework team will result in reduced printing and paper consumption, through the increased use of digital systems and the implementation of modern ways of working. The potential for developing a customer portal within the Synergy data management system is also being explored. Implementation of a customer portal, use of video conferencing for meetings and exchanging information, should help to reduce the need for staff and customer travel to some meetings. The digital mail system “Flite” is already being used by the team, and the use of this system will be promoted to other areas of the service, as necessary and appropriate.

Human Rights

None

Crime and Disorder

None

Staffing

There may be changes required in staffing based on the proposals outlined in the report.

Accommodation

None

Risk

The programme of work being overseen by the SEND and Inclusion Resources Board is being progressed as part of a programme management approach and includes developing a risk register. Key risks are summarised in the main body of this report. Careful consideration of risks and possible unintended consequences is taking place regarding each of the areas of work.

Procurement

Commissioning and procurement implications are being considered for each of the proposals in the HNB sustainability plan.

Appendix 2: HNB Five Year Financial Plan (High Level)

	2020/21 Budget £ million	2021/22 Estimate £ million	2022/23 Estimate £ million	2023/24 Estimate £ million	2024/25 Estimate £ million	Cumulative five-year projection £ million
Special School Provision (Maintained and academy)	25.463	25.973	26.492	27.022	27.562	132.512
External Provision (INMSS / Out of county / FE)	11.370	11.597	11.829	12.066	12.307	59.168
Mainstream Provision (Top-up funding / Targeted Support / EMP)	9.715	9.913	10.144	10.312	10.485	50.568
Central Provision (Outreach / Equalities / Sensory / Inclusion / Mgt)	5.535	5.791	5.906	6.022	6.141	29.396
Alternative Provision (PRU-The Woodlands / External)	4.993	4.995	4.995	4.995	4.995	24.974
Total Expenditure	57.075	58.269	59.365	60.417	61.490	296.617
Total Grant	57.271	59.562	61.944	61.944	61.944	302.666
In-year surplus (+) / deficit (-)	0.196	1.293	2.579	1.527	0.454	6.049
Cumulative deficit position	(5.530)	(4.237)	(1.659)	(0.132)	0.323	
<i>Projected year on year expenditure change</i>	-0.1%	2.1%	1.9%	1.8%	1.8%	
<i>Projected year on year grant change</i>	18.0%	4.0%	4.0%	0.0%	0.0%	
<i>Change to assumptions in previous Cabinet report (expenditure)</i>	(2.015)	(2.003)	(2.112)	(2.290)	(2.471)	(10.890)
<i>Change to assumptions in previous Cabinet report (grant)</i>	0.297	1.459	2.600	2.600	2.600	9.555

Appendix 3: HNB Five – Year Financial Plan (Detailed Level)

	2019/20 Outturn £ million	2020/21 Budget £ million	2021/22 Estimate £ million	2022/23 Estimate £ million	2023/24 Estimate £ million	2024/25 Estimate £ million
DSG High Needs Block						
Special Schools	23.862	23.893	24.371	24.858	25.355	25.863
Targeted funding-Special	0.115	0	0	0	0	0
Top-up-Special (individual pupils)	1.382	1.092	1.114	1.137	1.159	1.182
Top-up-Special (changes in mix)	0.342	0.478	0.487	0.497	0.507	0.517
Sub-total Special School Provision	25.701	25.463	25.973	26.492	27.022	27.562
INMSS – pre-16	3.499	3.569	3.640	3.713	3.787	3.863
INMSS – post-16	2.770	3.463	3.532	3.602	3.674	3.748
FE provision – post-16	3.681	4.024	4.104	4.187	4.270	4.356
Exports to other LA areas	0.951	0.970	0.989	1.009	1.029	1.050
Imports from other LA areas	(0.643)	(0.656)	(0.669)	(0.682)	(0.696)	(0.710)
Sub-total External provision	10.258	11.370	11.597	11.829	12.066	12.307
EMP place funding	0.611	0.608	0.620	0.633	0.645	0.658
Top-up funding-Nursery	0.375	0.500	0.510	0.520	0.531	0.541
Top-up funding-Primary	5.750	5.865	5.982	6.102	6.224	6.348
Top-up funding-Secondary	1.117	1.139	1.162	1.185	1.209	1.233
Targeted Support Fund	0.000	0.430	0.447	0.465	0.465	0.465
Targeted funding-Primary	0.691	0	0	0	0	0
Targeted funding-Secondary	0.093	0	0	0	0	0
Communities of Learning	0.966	0.573	0.596	0.619	0.619	0.619
Behaviour Panels	0.572	0.600	0.596	0.619	0.619	0.619
Sub-total Mainstream Provision	10.175	9.715	9.913	10.144	10.312	10.485
Nursery Outreach Team	0.711	0.800	0.816	0.832	0.849	0.866
Equalities and Intervention Team	1.932	1.802	1.838	1.875	1.912	1.951
SEND Sensory Team	1.219	1.314	1.340	1.367	1.394	1.422
Specialist Inclusion Support	0.449	0.567	0.578	0.590	0.602	0.614
Management and support recharge	0.811	0.827	0.844	0.861	0.878	0.895
Equipment	0.078	0.075	0.075	0.075	0.075	0.075
LA recharges to DSG	0.711	0.150	0.300	0.306	0.312	0.318
Sub-total Central provision	5.911	5.535	5.791	5.906	6.022	6.141
Local Authority PRU (The Woodlands)	5.895	5.776	5.776	5.776	5.776	5.776
Income from schools (Permanent)	(0.348)	(0.341)	(0.341)	(0.341)	(0.341)	(0.341)
Income from schools (Turnaround)	(0.579)	(0.567)	(0.567)	(0.567)	(0.567)	(0.567)
Other AP provision	0.107	0.125	0.128	0.128	0.128	0.128
Sub-total Alternative Provision	5.075	4.993	4.995	4.995	4.995	4.995
Total	57.120	57.075	58.269	59.365	60.417	61.490
Grant available	48.522	57.271	59.562	61.944	61.944	61.944
Budget surplus (+) / shortfall (-)	(8.598)	0.196	1.293	2.579	1.527	0.454
Shortfall met by council reserves	5.600	0	0	0	0	0
In-year impact on HNB DSG reserve	(2.998)	0.196	1.293	2.579	1.527	0.454
Forecast HNB DSG reserve	(5.726)	(5.530)	(4.237)	(1.659)	(0.132)	0.323