

## SCHOOLS FORUM AGENDA ITEM

For Action

For Information

**Brief Description of Item** (including the purpose / reason for presenting this for consideration by the Forum)

**This report provides an update on the consideration of the surplus balance that is held within the High Needs Block at the end of the 2021/22 financial year. The report explains the discussions that have taken place with the Forum’s Working Group, as well as with the Education and Skills Funding Agency (ESFA), since the last Schools Forum meeting.**

**Date (s) of any Previous Discussion at the Forum**

The High Needs Block Surplus balance has been discussed regularly, most recently with the Schools Forum in January and in March 2022.

**Background / Context**

The minutes of the Forum’s meeting, held on 12 January 2022, record, “In response to the presentation of the documents, the Forum’s discussion focused on the £21.7m balance that is forecasted to be held within the High Needs Block at 31 March 2022”. The Forum resolved that, “a working group of Forum members be established to discuss further the allocation / retention of the High Needs Block brought forward balance that is forecasted to be held at 31 March 2022.”

We reported to the Forum on 9 March (Document OG) that this working group met for the first time on 2 March. The minutes of the 9 March meeting (within the agenda reports pack for this meeting) summarise the update on the group’s discussions so far, which was presented verbally, and the Forum’s discussions from this. The report, which was presented to the working group on 2 March, and which provides very useful background and reference, was circulated to all Forum members by email after the last meeting.

The Forum’s working group met for a second time on 27 April. The Authority met informally with the Education and Skills Funding Agency (ESFA) on 30 March. Document OL, presented under agenda item 9, provides more detailed information on critical related matters (namely, the SEND Review and the SEND capital settlement).

**Details of the Item for Consideration**

**Meeting with the ESFA 30 March**

This meeting was overwhelmingly positive. The holding of a High Needs Block surplus balance was not viewed as a negative by the ESFA representative.

We asked the ESFA whether our understanding is correct, that the DfE has increased High Needs Block (HNB) funding so significantly over the last 3 years in order to support authorities that are in deficit i.e. we were checking our understanding that the main reason why we are in a different position, and why we have an under-spending in our HNB, is because we have not had to use any of the recent substantial growth in funding to repay an accrued deficit. The ESFA confirmed that our understanding on this is correct.

Whilst we have areas to develop, and whilst we have growing challenges, we appear to be doing already a lot of what the ESFA, and the SEND Review, wants to take forward nationally. The main positive points that came across with the ESFA were:

- Our long-standing focus on the inclusion of children and young people with SEND in mainstream schools.
- The creative way we have delivered additional places, over a period when capital funds have been limited. The ESFA was very interested in this and wants us to share our approach with other authorities.
- Our presumption versus placing children in higher cost independent settings, where needs can be met in local (less expensive) provision.
- Control and consistency of our SEND Panel decisions. The ESFA representative was particularly interested in the way our Panel members are rotated (to ensure consistency of decision making).
- Our ‘gate-keeping’ of special school places (i.e. we haven’t filled our special school places just because they might be available; placement is always based on need).
- Our retention of a low rate of permanent exclusions and the practices that have contributed to this.
- The relationships we have developed, with our schools and with our Schools Forum, in the creation of places and in our management of the HNB.

## **Details of the Item for Consideration**

### Update on Discussions with the Working Group

The Authority presented a report to the Working Group on 27 April, which set out, indicatively, where the Authority's thinking and planning currently sits in regards to the HNB balance, taking on board the discussions, feedback and evidence collected so far. This is still under consideration with the Working Group, and the Group will meet again shortly to progress. A further report will be presented to the Forum in July.

**The short summary below is intended to give the wider Schools Forum an understanding of where discussions are at, and an opportunity for comment and feedback.**

- It is the Authority's view that the majority proportion of the HNB surplus balance should be retained in support of shock protection, pressure management and also, critically, increasing volume of / meeting growing demand for specialist provision over the next 3 years. In this context, the surplus balance would be split between an uncommitted reserve (not to be spent by 'normal' HNB decision making) and a usable reserve (which could be spent on agreed priorities). Indicatively, the Authority sees that at least £15m of the HNB surplus should be retained as uncommitted at this time. The Authority believes that the case for the retention is clear. This is especially so as we move towards hard National Funding Formula, as the increases in HNB funding slow, as we manage the impact of the changes (and uncertainty) from the SEND and Alternative Provision Reviews, and as we continue to increase our HNB spending commitment (c. £5m) via the creation of 200-240 specialist places across 2022-2024. This critical additional spending on places must be seen in the context of our total HNB income potentially only increasing by c. £2m a year going forward, meaning that the cost of new places on its own (before accounting for growth in other costs and new activities) may outstrip the value of new income we receive over the next 3 years. An updated HNB 3-year trajectory, which has been presented to the Working Group, demonstrates the pressure the HNB is likely to come under. It is clear that we will need to continue to re-shape and control our main areas of HNB spending, including independent placement costs, and that we are likely to be reliant on the reserve that we hold to manage this position. There are many uncertainties however, and as these uncertainties are removed, and as our new profile of HNB spend becomes clearer, following the SEND and Alternative Provision Review changes, we may be able to review the size of the uncommitted reserve that we hold.
- The context for the holding of a reserve being established, a proportion of the balance should be released, provided that this is done in a targeted way 'to add value', for a clear purpose (s) and with a finite timescale. Potentially, release could begin from September (and perhaps over a 2-3-year period, depending on the requirements of the SEND / Alternative Provision Reviews). This type of additional allocation is however, conditional on the advice from the ESFA about regulatory compliance. It will also benefit from having greater detail on the changes that are coming from the Reviews, which may not be available until later this year. To be clear, the Authority is not looking to release all of the possibly identified balance in one go this year, nor is the Authority committing to allocate the funds directly back into delegated budgets (as, for example, the benefit back may be indirect rather than direct).
- In our discussions about the HNB surplus balance, so far, it is the Authority's view that we should prioritise targeted interventions and enhancements, alongside protecting the HNB and provider funding for future years, over employing blanket general mechanisms, which seek to allocate the balance as quickly as possible. In terms of targeted priorities, benchmarking of our HNB spending against other authorities, and an initial assessment of the direction of travel of the SEND and Alternative Provision reviews, highlight 3 main areas for further exploration. The Authority is also separately discussing whether supported internships within the FE sector requires further targeted support. The 3 main areas for further exploration are:
  - SEND Teaching Support Services
  - SEND Inclusion support
  - Non-statutory Alternative Provision support
- The Authority continues to be interested in any further feedback from colleagues on how the HNB balance could support other targeted actions and specific interventions.
- It is important for the Schools Forum also to be aware at this stage of the Authority's indicative response to other points of feedback that have been received about use of the HNB balance. The report presented to the Working Group on 27 April provided more explanation of this response, and this report can be shared with Forum members:

### **Details of the Item for Consideration**

The High Needs Block cannot be used for the Authority's SEND assessment function. The surplus balance therefore, cannot be used to enhance assessment capacity.

The Authority supports already mainstream schools and academies, in a needs-proportionate way, with additional element 2 funding, via our SEND Funding Floor. This is well beyond the level of support that appears to be provided by other local authorities (benchmarking). This support will automatically increase further during 2022/23 as the number of EHCPs in mainstream schools also increases. The DfE's HNB operational guidance is clear that element 2 support must be targeted at a minority of schools, and should work to support those that are most inclusive. In this context, the Authority is not minded to further enhance element 2 funding in schools / academies on a general basis. Individual schools and academies that have concerns about their element 2 funding should continue to discuss these with the Authority.

Similarly, regarding EHCP top-up funding, the Authority's EHCP banded model provides 'a toolbox' for the SEND Panel to use to appropriately meet the costs of supporting the needs of children and young people with EHCPs. Our top-up funding is needs-led and already 'follows the pupil'. Top-up values have been substantially increased across the board over the last 3 years and our benchmarking is suggestive already that our funding rates are (at least) very comparable with those in other authorities. The Authority therefore, is not currently minded to further enhance top-up funding on a general blanket basis, using the HNB surplus balance to do so. The DfE's work to establish a national top-up banding framework (SEND Review) will give us a 'definitive' view about the sufficiency of our top-up funding rates. Individual schools and academies that have concerns about their top-up funding should continue to discuss these with the Authority.

Similarly, regarding the funding of specialist provisions, the Authority has substantially increased levels of funding over the last 3 years (special schools, resourced provisions and PRUs / AP academies). Our top-up funding values are now calculated to account for place-element funding not increasing in value year on year. Our AP day rate model already includes a capacity protection (at 88% occupancy). We have further enhanced delegated funding in 2022/23 to pass through the supplementary funding received from the DfE. The Authority therefore, is not at this time minded to further enhance for 2022/23 general delegated funding to specialist provisions. Individual schools and academies that have concerns about their funding should continue to discuss these with the Authority.

### **Recommendations**

**Recommended - The Schools Forum is asked to consider and to note the update provided.**

### **List of Supporting Appendices / Papers** (where applicable)

None

### **Contact Officer** (name, telephone number and email address)

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