

2.2 – Annex E High Needs Budget 2021/22

Jordan Mcdougall – Finance Business Partner
01908 252114
Jordan.Mcdougall@milton-keynes.gov.uk

1 Purpose

- 1.1 To advise the Schools Forum of the high needs budget for the financial year 2021/22.

2 Recommendations

- 2.1 To **note** the high needs budget and place numbers for special schools, special units / departments and alternative provision for 2021/22.
- 2.2 To **note** the central expenditure for high needs pupils and students in 2021/22.

3 Introduction

- 3.1 The high needs funding system supports provision for children and young people with special education needs and disabilities (SEND) from their early years, up to the age of 25. The block includes funding for pre-16 and post-16 places in both maintained and academy special schools, alternative provision, pupil referral units and further education institutions. The high needs block funds commissioned places in these settings, together with top up funding for individual pupils and students. It also includes funding for central high needs services. These central services have to be made available to pupils in LA maintained schools and academies on an equivalent basis.
- 3.2 The high needs block allocation is calculated for the LA area as a whole but is then paid to the LA net of deductions for certain settings where the ESFA (Education and Skills Funding Agency) pays this directly. For 2021/22 this includes all academy place funding (special school, special units / departments and AP provision) and FE institutions. Post-16 mainstream funding is no longer deducted and is paid direct by the ESFA (this changed in August 2019).
- 3.3 The main model of high needs funding works on a place plus funding approach. That is place funding reflecting commissioned places, plus a top up amount based on the needs of the child. Local flexibility is allowable under the regulations, for example, block commissioning.

- 3.4 The high needs budget is reported draft as it is still subject to approval by Cabinet and Council in February (along with the rest of the council's budget). Any changes will be reported back to school's forum.
- 3.5 Below is a summary of the changes in budgets from 2020/21 to 2021/22, with movements explained in this briefing note (a more detailed breakdown can be found in Item 2.2 – Annex E2);

DSG Income and Expenditure	Budget 20-21	Budget 21-22	Change in Budget from 20-21 to 21-22
	£m	£m	£m
High Needs Block			
Special School Place and Top Up Funding	21.807	24.113	2.306
Departments / Unit Place and Top Up Funding	2.391	2.244	(0.147)
Alternative Provision Place and Top Up Funding	3.155	3.156	0.001
Mainstream Top Up funding (EHCP and No EHCP)	5.711	6.428	0.717
College Place and Top Up Funding	2.235	2.538	0.303
Independent School Fees	5.350	5.200	(0.150)
Demand Risk Reserve	0.486	1.400	0.914
Central Expenditure	3.372	3.715	0.343
Expenditure	44.507	48.794	4.287
Surplus C/Fwd	(1.666)	(2.481)	(0.815)
DSG Allocation*	(44.506)	(48.794)	(4.288)
Income	(46.172)	(51.275)	(5.103)
Total High Needs Block	(1.665)	(2.481)	(0.816)

4 Place Funding

- 4.1 Commissioned places in special schools and alternative provisions will continue to be funded at £0.010m per place in 2021/22 from the high needs block. The place funding amount is set by the DfE who have recently stated that any proposed changes to this will be considered within a future consultation.
- 4.2 Pre-16 commissioned places in special units will be funded at £0.006m per place from the high needs block if the place is filled at October 2020 census date and at £0.010m from the high needs block if the place was not filled at the time of the October census. This is because, if the place is filled at the time of the census, the school will attract school budget share funding as part of the wider school funding formula which the DfE indicatively estimate to be £0.004m. Place funding for post-16 places is payable at £0.006m per place.
- 4.3 It should be noted that place funding for academy settings will be deducted from the main DSG and paid to schools and settings direct from the ESFA.
- 4.4 Commissioned places in FE institutions (MK College) will continue to be funded at £0.006m per place. Funding for these places are also deducted from the main DSG and paid direct by the ESFA to the college.

- 4.5 Item 2.2 Annex E1 - Annual Report for High Needs - shows the number of places funded at September 2020 and September 2021. Places are subject to annual review as part of the high needs places change submission in November each year. This includes 43 additional places in special schools from September 2021. There will also be an increase in the number of department places, with four additional places from September 2021. The added places within special schools costs an additional £0.364m compared to the 2020/21 budget, which also includes the full year effect of places added in September 2020 which only had a part year impact on the current financial year. It is important to note that the full year impact of the additional 43 places being added in September 2021 will cost an extra £0.138m in 2022/23, with twelve months being paid rather than 7 months. This is before any potential new places are added in from September 2022.
- 4.6 Stephenson Academy's post-16 provision is increasing by five additional places from September 2020, from 35 places to 40. These five places are included in the above mentioned 43 places being added in special schools overall.
- 4.7 There will be no change to the number of places commissioned at the Primary PRU. Work has commenced to develop a primary inclusion partnership (in a similar approach to the established secondary inclusion partnership). The use of the primary PRU and the number of places will be monitored as the primary inclusion partnership imbeds.
- 4.8 Any changes to the number of places funded in any setting are done so in discussion with the school(s) affected.
- 4.9 Under the DfE funding regulations, places commissioned by MK in settings, although are paid for by the MK high needs block, are not ring-fenced to MK pupils. Home LAs are responsible for commissioning local places for all children. The import / export adjustment on the high needs funding formula addresses the imbalance between the use of places by deducting funding for any net exports to other LAs. Or if an LA finds themselves as a net importer, they will receive additional funding.

5 Top Up Funding

- 5.1 Top up funding is payable to providers in respect of pupils for which MK is responsible. Where a MK provider has a pupil on roll that is the responsibility of another LA, that LA is responsible for paying the top up direct to the provider. As per the DfE funding guidelines, this should be paid monthly unless there is a specific agreement in place.

Top Up Funding Special Schools

- 5.2 A special school protection will continue to apply to special schools in 2021/22. The level of the minimum funding guarantee will continue at 0% as per 2020/21. The calculation is based on the assumption that the number and type of places remains the same between 2020/21 and 2021/22. It also assumes that all pupils in the school are placed by the provider authority (i.e. where the school is located) and that all top-up funding rates received by the school are those set by that authority.

- 5.3 The top up funding model was introduced in September 2018 and consisted of five banding rates applied to all six special schools. Bandings were increased in 2020/21 by 3%, which remain at the same values for 2021/22. There is a fixed funding arrangement in place with Stephenson Academy post 16 outside of these banding rates.

	Band E	Band D	Band C	Band B	Band A
	£	£	£	£	£
2021/22	4,635	7,210	14,420	23,690	30,900

- 5.4 The budget for top up funding will increase by £1.003m in 2021/22, before any increases of rates have been implemented. This can be split into additional budget added in of £0.591m to reflect planned growth in year, and also unfilled places projected to be filled from September 2021. At the time of setting the budget, there are 45 unfilled places, however in reality it is likely that places will be required and begin to fill up before September 2021. Another important thing to note is the full year effect on the 2022/23 budget from the growth built into September 2021 – If all 964 places are filled from April 2022, this will be an additional cost of £0.422m in the block. The other reason for the movement is due to changes in pupil needs, and a shift in the required level of funding needed to support children with more complex needs. The below table highlights the changes in bandings across all special schools, as part of the recent banding review meetings, with growth in bands B and A bandings.

Movement in Bandings	NOR	E	D	C	B	A	OLA	Total	
Aug-20		853	133	166	244	199	52	59	853
Dec-20		851	118	149	242	232	57	53	851
Movement		-2	-15	-17	-2	33	5	-6	-2
		-1.76%	-2.00%	-0.24%	3.88%	0.59%	-0.71%	-0.24%	

- 5.5 Whilst the ESFA are being more flexible with regard to how funding can work for post-16 funding (i.e. a change from the place plus top up approach) the funding regulations still remain rigid for pre-16 funding. This means that settings still must be funded on a place plus approach and then top up funding must be reflective of need, meaning a banding system for top up funding is still required. To reduce the impact of band drift, bandings will be reviewed once per year (ahead of the September term) with the Head of SEND and only reviewed on an individual basis for exceptional and significant changes in circumstance.
- 5.6 For 2021/22, the ESFA have incorporated the teachers' pay grant (TPG) and teachers' pensions employer contribution grant (TPECG) within the high needs national funding formula, by increasing the basic entitlement factor from £4,000 to £4,660. Included within the £2.306m increase in special school place and up funding is therefore £0.748m which will be paid from the LA to schools in the same way that it was paid in 2020/21, however it is now included within the high needs block allocation, rather than coming in as a separate grant.

Top up Funding for Special Units / Departments in Mainstream Schools

- 5.7 Top up funding for pupils in special units will operate in a similar way to those in special schools, other than there being no specific MFG requirement. The principle will be to maintain the level of funding for the individual special units, taking account of the likely occupation of the places.
- 5.8 The reduction in the department budgets of £0.147m is due to a change in the way the top up funding budget is set for 2021/22. In 2020/21, the budget was set based on the number of commissioned places throughout the financial year, which due to a number of unfilled places has meant a forecast underspend of £0.230m in-year. Therefore, it is more accurate to use the current NOR for the months of April to August, and commissioned numbers from September 2021 when setting the budget for 2021/22. NOR have risen since August 2020, whilst it is important to note that top up funding has not been reduced to departments, but the method of setting the budget has been adjusted.
- 5.9 Rates will remain at the same amount for the 2021/22 financial year as what was paid in 2020/21. An exceptional / different top up rate may be applied to departments where there is an agreed phased closure. This will be because the fall in pupils in a particular year may not correspond exactly with the reduction in costs (e.g. for staff to children ratios). This will be discussed on an individual basis with the school(s) affected.

Top Up Funding for Alternative Provision (AP)

- 5.10 The top up funding for the Primary PRU is budgeted based on an average occupancy of 16 of the 18 places, although payments will be made up to 18 when these places are filled in the month. The value of the top up is £303.03 per top up, per week; based on 38 weeks per year.
- 5.11 The secondary budget is for top up payments to Bridge Academy. The value of the top up was increased in 2020/21 to a monthly lump sum of £0.070m and will remain the same for 2021/22.

Top up Funding for High Needs Pupils in Mainstream Schools

- 5.12 These budgets are calculated on the current profile of pupils receiving financial support above the first £0.006m which is met by schools from their notional SEN budgets. The hourly rate for TA support in 2020/21 was £12.28 (or £466.65 per annum), which will continue for 2021/22, with the first £0.006m funding 13 hours of support. These rates were temporarily increased by 3% in 2019/20 to the current level, however due to the increasing demand seen and with uncertainties around future levels of high needs funding, this will need to be carefully monitored to ensure affordability to the block.
- 5.13 In 2019/20, the mainstream top up funding budget overspent by £0.652m, and therefore with increasing numbers of children with an EHCP attending mainstream schools, the budget was increased to £4.231m in 2020/21 for primary and secondary

schools. The current forecast indicates this was set accurately, and based on the increase seen between December 2019 (536 children with an EHCP), and November 2020 (639 children with an EHCP), it is projected that this will continue to grow at a similar rate and be 762 children this time next year. Therefore, the budget has been increased by £0.607m for 2021/22.

- 5.14 There is a budget of £0.300m (£0.200m in 2020/21) to provide additional funding to schools that have a large proportion of pupils who have an EHCP (comparable to their notional SEN funding). This budget has therefore increased by £0.100m for 2021/22, as based on demand in 2020/21 we're forecasting to spend £0.266m. This will be allocated automatically to schools that reach a trigger point (when comparing to their notional SEN budget) and require additional support.

Top up Funding for Post 16 providers, other than schools

- 5.15 The first £0.006m of funding for high needs students between the ages of 16 and 25 in colleges of FE and independent specialist provision is based on the number of places commissioned by the LA for each academic year. The LA also provides top up funding for those costs in excess of £0.006m.
- 5.16 There has been a continued increase in the number of young people requiring further education (in line with the government reforms to increase the age for SEN post 16 funding to 25) and as a result the post 16 budget will be increased to reflect this. An additional 15 places have been commissioned at MK College from September 2021 to reflect this.

6 Independent Special School Fees and Tuition Costs

- 6.1 The budget for Independent Special School fees has been reduced by £0.150m and is now £5.200m, which includes Independent College fees for 2021/22. The reduction in the budget is to reflect the historic expenditure and projected 2020/21 outturn against independent placements, however it is important that this budget is reviewed regularly due to the high cost of settings (in some cases they can be as high as £0.300m per placement), which would cause a pressure within the block.

7 Early Years Inclusion Grant

- 7.1 The Early Years Inclusion grant is paid from the early years block, and in 2020/21 had a contribution budgeted from the high needs block of £0.080m due to rising a rising number of children requiring SEN support within early years provider settings, which meant the budget overspent in 2019/20. Based on current payments in 2020/21 however, it is unlikely the £0.080m will be needed from the high needs block. This will largely be due to the fact that settings have been closed, so projections are difficult to predict future demand. It is therefore proposed that for 2021/22 we continue to budget a contribution to the inclusion grant payments, of £0.040m. There will be no change to the rate that is paid out at (£12.28).

8 High Needs Central Teams and Costs

- 8.1 The central services budgets fund specialist equipment in schools, the speech and language and occupational therapy contracts and the central inclusion and intervention and sensory teams. The tuition budget will now be shown in the central teams because although some adhoc tutoring is purchased from external companies, a team of staff will be employed directly and now known as the Outreach team.
- 8.2 Overall, the cost of these budgets will be increased by £0.343m for 2021/22. A proportion of which relates to general inflation on staff costs and the teacher's pensions increase.
- 8.3 The number of children and young people with statements of special educational needs continues to grow year on year, which has increased from 1,400 in 2014 to over 2,300 in 2020/21. Included within the £0.343m is £0.104m for additional resource to meet current and future demand levels and ensure there is a strong focus on practice and continuing to meet statutory duties.
- 8.4 Also included within the £0.343m is £0.050m for school access initiatives, such as one-off resources where there has been growth in settings. Based on demand, the Speech and Language Therapy contract with Central North West London (CNWL) has also been increased by £0.050m to allow for an additional post to meet demand.

9 Budget Summary

- 9.1 As per the budget table under section 3.5, we have carried out a number of exercises in preparation for finalising the 2021/22 high needs budget. This has included reviewing commissioned places for September 2021, finalising the high needs place return, carrying out banding reviews and focusing on demand pressures across all areas. A more detailed, draft budget can be seen in Item 2.2 – Annex E2, with this now being subject to the Council's approval processes in February 2021.
- 9.2 Some of these costs included in the above table will be recouped from the DSG and paid direct to settings (for example place funding for MK College and Academies) but the budget breakdown includes all costs against the LA's DSG allocation.
- 9.3 The initial allocation for the high needs block for 2021/22 is £48.794m. This is an additional £4.288m when compared to the 2020/21 allocation. However, it is important to remember that included within the additional funding is the teachers' pension amount of £0.748m which was paid outside of the allocation in 2020/21 – making the true increase in the allocation £3.540m for 2021/22.
- 9.4 The high needs block allocation of £48.794m has now been fully committed into the 2021/22 budget with £0.913m being allocated to the Demand Risk Reserve. This therefore highlights that most of the additional allocation has been required to meet predicted demand growth in 2021/22. As mentioned previously, it is important to consider the long-term impacts of decisions built into the high needs budget, for example building in places in special schools and departments from September 2021 will only see place and top-up funding costs for 7 months, with the full year effect for

the twelve months being seen in 2022/23. This is a similar case with mainstream top up funding, if projections continued for 2022/23 as we have previously seen, an additional £0.724m will be needed to meet the increased costs, all before any uplifts in rates were considered.

- 9.5 As per the latest forecast position reported, the 2020/21 underspend of £1.257m will mean a carry forward amount of £2.481m into 2021/22. Whilst this has increased from the previous year, as explained in the forecast outturn report, the majority of the underspends we have seen in 2020/21 are due to one-off factors, such as school closures and the likes of SEN support payments not being requested. For context, £2.163m represents 5.08% of the initial allocation we will receive in 2021/22, and this remains one-off money.
- 9.6 Future funding beyond 2021/22 still remains uncertain, with future allocations unknown. There is a real possibility that the increase seen in the 2021/22 allocation will be front loaded funding, with it being unlikely to continue at this level in future years and therefore whether it will even in fact cover the full year effect of this year's demand increases. Therefore, rates across the entire high needs block will remain at the same level as 2020/21, with all rates being reviewed for the 2022/23 budget once we have a clearer idea on future funding and future demand trends which have been impacted by COVID. It is critical that the block has sufficient flexibility to manage the volatility in the nature of expenditure now that the blocks are ring-fenced, and a 3% increase to all top up rates would add an additional cost of £0.629m to the block in 2021/22, removing the majority of any headroom to manage potential demand increases (complexity as well as numbers).

As mentioned previously, if we see a reduction in the level of increases in funding we have received in the high needs block in future years, but continue to see demand increases at the level we are experiencing year on year in Milton Keynes, the one-off carry forward of £2.481m would be needed to offset any base budget overspends and eventually be used up which would then result in savings needing to be identified in the base budget. The other important thing to remember is that if we do begin to see pressures on the block, non-statutory budgets such as mainstream SEN support for children without an EHCP (£0.850m), and additional notional SEN payments (£0.300m) are at risk of being reduced or removed completely if statutory support continues to grow and we do not manage the budgets appropriately.