

LANCASHIRE SCHOOLS FORUM
Date of meeting 17 March 2022

Item No 7

Title: Recommendations of the High Needs Block Working Group

Executive Summary

On 1 March 2022, the High Needs Block Working Group considered a number of reports, including:

- School Census data – special school termly redeterminations;
- High Needs Block Funding 2022/23;
- High Needs Supplementary Grant 2022/23.

A summary of the information presented, and the Working Group's recommendations are provided in this report.

In addition, a supplementary High Needs Block item that emerged after the working group, relating to Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) allocations is included in this report, for consideration by the Forum.

Recommendations

The Forum is asked to:

- a) Note the report from the High Needs Block Working Group held on 1 March 2022;**
- b) Ratify the Working Group's recommendations;**
- c) Consider the supplementary item on Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) allocations.**

Background

On 1 March 2022, the High Needs Block Working Group considered a number of reports. A summary of the information presented, and the Working Group's recommendations are provided below:

A supplementary item is also included at item 4, which emerged after the working group meeting, and relates to Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) allocations.

1. School Census data – special school termly redeterminations

Following recommendations at the last working group, Forum special school members kindly circulating a request via LASSTHA for pupil number information at special schools to be completed on a LCC eform, in addition to school census, in order to facilitate timely termly redeterminations.

The LA has chased outstanding returns after the deadline and all but 2 schools have now responded. The LA aims to issue redeterminations in w/c 7 March 2022 and will use last terms data for these schools if they do not reply. Even though deadline has passed, the LA confirmed that it would be able to include their numbers if they were submitted by 4 March 2022.

The Working Group:

a) Noted the report.

2. High Needs Block Funding 2022/23

At the Schools Forum on 13 January 2022, decisions and recommendations about the 2022/23 Schools Budget were agreed.

In connection with the High Needs Block, the Forum unanimously supported the 2022/23 High Needs Block proposals, including:

- The increased HNB allocation being utilised to cover the forecast growth in High Needs expenditure from April 2022;
- The increase in HNB allocations to broadly match uplifts in the mainstream sector, including:
 - Increasing the Weighted Pupil Numbers (WPN) rate by 4% to £4,567
 - Special School and PRU School Specific factors uplifted by 2% to match Schools Block MFG
 - Rate for Excluded Pupils, Medical and Other pupils uplift to match increased WPN
 - in the secondary PRU formula, 1 WPN
 - in the primary PRU formula, 2/3 of 1 WPN
- the transfer of circa £1.7m (0.19%) of Schools Block funding to the High Needs Block for the revised payment arrangements needed for the contractual school PFI contribution in relation to the former Hameldon site, as it is being taken over by a Lancashire special school;

On 20 January 2022, the County Council's Cabinet formally approved the Schools Budget for 2021/22.

Some elements of the Schools Budget required compliance checking by the ESFA and approval was received on 15 February 2022.

School Budgets were prepared and issued on 21 February 2022, together with forecast High Needs Block allocations.

Indicative Pupil Premium Grant (PPG) statements have historically been issued alongside School Budgets each February. Final PPG allocations are then notified to schools later in the financial year, once data has been confirmed by the DfE.

For 2022/23, the DfE are calculating the PPG allocations on the basis of October school census data, rather than the January school census. This means that actual PPG information will be available much sooner, and the DfE have indicated that 2022/23 allocations should be announced in March 2022. The LA did not therefore include an indicative PPG statement with the budget notifications.

It was anticipated that the DfE will publish PPG allocations shortly.

DSG Funding Adjustment 2023/24

The County Council has also made further representations to the DfE requesting that the DSG allocations for Lancashire from 2023/24 are adjusted to reflect the permanent change of use of the former Hameldon PFI site, which is now being utilised by a special school. We have therefore requested a £1.9m transfer from Schools Block to High Needs Block, so that the contractual school PFI contribution can be met from the correct funding block. There has been an ongoing dialogue with DfE colleagues seeking various clarifications around this issue, but no formal decision about the DSG adjustment request has yet been received.

The Working Group:

- a) Noted the report.**

Subsequent to the meeting, the LA is now preparing a formal submission to the ESFA/DfE requesting the permanent transfer of the £1.9m transfer from Schools Block to High Needs Block in response to the change of the use of the former Hameldon site to a special school and the requirement for future PFI contributions to be made from the High Needs Block.

The Forum is asked to formally support the submission for a permanent transfer Schools Block to High Needs Block of £1.9m from 2023/24.

3. High Needs Supplementary Grant 2022/23

At the Schools Forum on 19 January 2022, information was provided about the Schools Supplementary Grant.

This grant was introduced by DfE for 2022/23, to distribute £1.6b of additional funding for schools and high needs, above the previous DSG settlement. The additional funding is being

provided to support Health and Social Care Levy costs (increased NI contribution in 2022/23 for social care) and wider cost pressures.

The Grant allocation will include a government calculated element for mainstream schools, with £325m of the national total targeted for high needs funding, to be allocated locally, following discussion with the Schools Forum.

Lancashire Schools Supplementary Grant allocations for 2022/23 are set out below:

Mainstream Schools Supplementary Grant allocation	£25m
High Needs Supplementary Grant allocation	£6m
Total Supplementary Grant allocation	£31m

Following discussions with the Forum, it was agreed that the High Needs Supplementary Grant would be calculated in two parts:

- **Health and Social Care Levy (Increased NI contribution in 2022/23 for social care)**
 - Provided specifically to support special schools and PRUs;
 - To be calculated on 80% of total budget per school x 1.25% based on 2022/23 School Budget data;
 - This should broadly reflect the additional costs for the HNB schools, as circa 80% of total budgets are staffing and the employer NI contribution is increasing by 1.25%;
 - Prevents the need for extensive extra work and complex calculations;
 - Contribution for other schools included within mainstream grant;
 - Consideration of exceptional expansion at special schools and data point used regarding WPN values due to differentials between terms.

- **Wider Cost Pressures**
 - Uses remaining Grant, of circa £5.2m;
 - Paid across all sectors as one off payment or instalments;
 - Calculated on basis of WPNs in 2022/23 School Budget data;
 - For AP incorporates Excluded, Medical & Other Places + WPN above E2 (1.00 WPN);
 - Equates to circa £600 per WPN, subject to confirmation of final allocations and distribution methodology.

Whilst the overall principles of the methodology were agreed by Forum in January 2022, the details of how the 'Consideration of authority commissioned expansions at special schools and the data point used regarding WPN values due to differentials between terms' in the calculations need to be finalised.

Having considered the issues, the following information was put forward for consideration:

- For special schools with authority commissioned expansions planned from the academic year 2022/23 due to LA projects, the 2022/23 School Budget data to be used in the NI increase calculation already has the revised September 2022 place numbers built into the budget for the place funding. The existing methodology is therefore already recognising an element of the additional costs that the schools will

face in September 2022. However, the budget figures will not take account of the impact the additional pupils will have on the WPN figures or school specific calculations. It is therefore proposed to calculate the average costs per place at relevant schools based on the 2022/23 budget figures and multiply this by the increased number of places at September 2022. The 80% x 1.25% calculation will then be applied, to provide an estimate of the additional NI burden on these schools arising from the extra commissioned places that was not recognised in the standard Health and Social Care Levy calculation.

The calculation applied to 4 schools where LA commissioned expansions are taking places from September 2022 and is estimated to cost just over £4k in total. This will not substantially impact on the estimated overall costs of this element of the methodology, with the total calculation rising to marginally over £0.8m.

- In response to the WPN data point to be used in the methodology, the original proposal planned to use the Schools Budget 2022/23 data, which is taken from the October 2021 census.

An alternative solution would be to use May census data in the WPN calculations. The Summer term census is traditionally the high point in the academic year for pupil number/WPN values, especially for PRUs. The latest summer term data available before the start of the 2022/23 financial year is from May 2021.

The high level WPN data is provided below calculated on both the October 2021 and May 2021 data:

Calculations based on October 2021 data

Sector	Total WPN	%
Special WPN	4851	53%
PRU WPN	499	5%
Mainstream WPN	2914	32%
FE Colleges WPN	822	9%
Total HNB WPN	9086	100%

Calculations based on May 2021 data

Sector	Total WPN	%
Special WPN	4625	54%
PRU WPN	526	6%
Mainstream WPN	2783	32%
FE Colleges WPN	701	8%
Total HNB WPN	8635	100%

The revised estimate of the High Needs Supplementary Grant for Lancashire is £6.2m, leaving circa £5.4m available for the wider costs pressures element of the methodology. The October 2021 data would therefore equate to circa £599 per WPN, with the May 2021 data providing circa £630 per WPN.

It was noted that the October 2021 data contains a larger number of WPNs overall, so reduces the value to be paid for each WPN. The May 2021 data contains a lower number of WPNs overall, so the factor can be increased proportionately. May 2021 data does however provide a higher WPN figure for PRUs.

The final WPN figures will also provide an adjustment for the special schools subject to the LA commissioned expansions, similar to that described above, but without the NI percentage element, which will also impact on the final WPN factor to be allocated.

Members considered the proposals for distributing the High Needs Supplementary Funding and discussed the various options available. There was general agreement for a preference for the May 2021 census data to be used for the WPN calculations. However, members wanted to consult further with colleagues and officers before final decisions were taken, with some concern expressed about the possible adjustment methodology to post 16 commissioned place numbers in the authority commissioned expansions element of the arrangements. The need to use a single data point for calculations and have a methodology that could be applied across all sectors and settings was emphasised.

Officers asked that members hold discussions/collate any views by 17 March 2022 if possible, so that final decisions can be agreed at Forum, in time to implement payments from April 2022.

The Working Group:

- a) Noted the report;**
- b) Supported the use of May 2021 census data in the WPN calculation of the High Needs Supplementary Grant methodology;**
- c) Representatives agreed to consult further with colleagues and officers before final decisions were taken about the possible adjustment methodology.**

4. Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) Allocations

After the Working Group meeting, a High Needs Block issue has arisen, and information is included in this report for consideration by the Forum.

This issue relates to Teachers' Pay Grant (TPG) and Teachers' Pension Employer Contribution Grant (TPECG) Allocations.

The LA has been in discussion with an AP provider about the payment of TPG and TPECG in 2021/22. This has caused the LA to re-examine the DfE's High Needs Guidance for 2021/22.

Members will recall that for 2021/22 the DfE included funding in High Needs Block allocations to LAs that had previously been distributed via 2 specific grants to cover the costs of teachers pay and pension increases. Following discussions with the Forum, this additional funding was allocated to special schools/academies and PRUs/AP providers in Lancashire via an addition to the school specific factor in both formulae, at a rate of £660 per pupil. As the extra £660 was included in the school specific element of the formulae, it related to the pupil count and was redetermined each term.

Having reviewed the situation, the LA is now of the view that this methodology does not fully comply with the DfE guidance/conditions of grant, which specify that the allocations should be based on 'places' and also incorporates a minimum payment threshold of 40 places.

As the original allocations did not fully comply with the conditions of grant, the LA will need to analyse the allocations to determine adjustments.

The 2021/22 High Needs Block TPG and TPECG funding has been recalculated using the 'place' methodology, with some 18 schools/PRUs generating higher allocations and 21 resulting in lower allocations.

As this issue has emerged so late in the 2021/22 financial year it would be inappropriate to reduce allocations for schools where the place methodology generates a lower amount, so the LA intends to honour the original allocations.

For those schools with higher place methodology allocations, a supplementary allocation will be issued shortly, to ensure that the allocations from the corrected amounts can be included in the 2021/22 year end accounts. The largest increase for a special school is circa £23k, and for a PRU, circa £14k.

Members will recall that Forum has already agreed that no clawback mechanism should be applied on school balances at 31 March 2022, so this late allocation does not create any clawback issue for schools.

The costs of the payments to the 18 schools entitled to the higher allocation under the place methodology, plus the original AP provider that raised the query, is just over £200,000.

2022/23 TPG and TPECG Allocations

The 2022/23 HNB guidance and conditions of grant contain similar TPG and TPECG requirements. However, as the correction of 2021/22 allocations has only recently been finalised, the original 2022/23 special school and PRU budget statements, issued on 21 February 2022, included TPG and TPECG allocations calculated on the 'school specific' methodology.

The LA will need to recalculate these 2022/23 allocations to ensure compliance with DSG conditions of grant, however, as the 2022/23 financial year has not yet commenced, the Forum's views are now sought on the options available.

Options could be:

- Revise funding models, recalculating the TPG and TPECG allocations for 2022/23 and issue revised budget statements to all special schools and PRUs and, as the new financial year has not yet commenced, expect the schools to factor the revised allocations into their 2022/23 individual school budget proposals.
- Inform all special schools and PRUs of the revised calculations, however, as 2022/23 budget statements have already been issued, then honour allocations that would be lower, and increase allocations that are higher using the 'place' methodology. Uplifted 2022/23 allocations would need to be calculated and paid in March 2023, but initial

estimates suggest that around half the schools would again be eligible for higher allocations, with a total amount of circa £200k to be underwritten by the DSG reserve.

The Forum are asked to advise which option should be pursued.

2023/24 TPG and TPECG Allocations

The LA will update the 2023/24 HNB funding models to incorporate the TPG and TPECG place based allocation methodology after reviewing updated DfE high needs guidance for 2023/24.