

READING BOROUGH COUNCIL

REPORT BY FINANCIAL SERVICES

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| TO: | READING SCHOOLS FORUM | | |
| DATE: | 15 JANUARY 2015 | AGENDA ITEM: | 4 |
| SUBJECT: | HIGH NEEDS BLOCK 2014-15 & 2015-16 | | |
| SERVICE: | EDUCATION, ADULT'S & CHILDREN'S SERVICES | WARDS: | All |
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1 PURPOSE OF REPORT

- 1.1 This report aims to update the funding arrangements for the high needs block in 2014-15 and in 2015-16. As noted at the last meeting there is a forecast overspend of £1.3m on the high needs block which needs to be funded. In addition, there is likely to be a significant budget gap for the 2015-16 financial year in the high needs block which will also need addressing.
- 1.2 The report identifies the need to finalise funding of the 2014-15 deficit at the March meeting and also identifies the expected 2015-16 deficit, following the settlement, which will need to be addressed by the sub group set up at the last meeting with any proposals being brought back by the March meeting.

2. RECOMMENDED ACTION - TO NOTE

- 2.1 The 2014-15 deficit on the high needs block is forecast to be £926k and the funding of this deficit will need to be determined at the March meeting (LA decision). Some possible options for funding the deficit, namely early years block savings and schools balances, have been identified within the report.
- 2.2 The residual budget gap on the high needs block for 2015-16 is estimated as £876k which will need to be addressed by the Authority and the working group set up at the last Schools Forum, and/or by further representation to the EFA. An update report will be made to the March meeting of Schools Forum on this issue.

3 BACKGROUND

- 3.1 At the last meeting a forecast overspend on the high needs block of £1.3m in 2014/15 was reported and the underlying reasons were considered. In addition we considered potential measures to fund the deficit on a one off and ongoing basis. It was agreed that a working party would be set up to consider potential ongoing measures to address pressures. That working party has not yet met however the Authority needs to consider how the in year deficit will be funded and how the ongoing budget gap can in part be funded, in particular in the light of further funding information for 2015/16 being made available since the last meeting.

4 FUNDING OF THE 2014-15 DEFICIT

- 4.1 At the last meeting we considered a potential proposal for funding the deficit, whereby the 2013/14 surplus was applied and the residual deficit was carried forward into 2015/16 to be funded from a combination of DSG headroom 2015/16, high needs block savings 2015/16 and from any early years block surplus funds. Having re-considered this method we believe that it would be more prudent to fund the deficit in year, thereby freeing up headroom 15/16 and savings measures on the high cost block 15/16 to fund any budget gap on the 2015/16 high cost block. The feasibility of an additional measures including potentially a target for clawbacks on surplus schools balances above threshold will also be reviewed, although the decision on that would rest with Schools Forum.
- 4.2 The Authority will need to make a decision at the March meeting to fund the 2014/15 deficit. Whilst this is a Local Authority decision we need to consult with Schools Forum on this. The financial information is presented in the table below:

| | £000 |
|--|----------|
| Overspend reported at December 14 meeting | 1,347 |
| Less DSG surplus 13/14 applied | (371) |
| Less Schools Block in year surplus forecast 14/15 (see Schools Block Report) | (50) |
| Measures to be agreed at the March 15 meeting | (926) |
| BALANCE | 0 |

5 BUDGET GAP 2015-16

- 5.1 Following the grant settlement information published on 18 December and allowing for the latest information for financial commitments going forward, the high needs block and the associated budget gap is set out in the table below.

| | £000 |
|--|---------------|
| Funding allocation after adjustments | 14,626 |
| Less: | |
| Centrally Retained Services – Contracts | 839 |
| Central Retained Services – Departments | 1,008 |
| Mainstream | 1,300 |
| Cranbury College | 2,222 |
| Resources Units & Special Schools | 7,310 |
| Post 16 FE Provision | 491 |
| Non Maintained Special & Alternative Provision | 2,800 |
| TOTAL BUDGET GAP | -1,344 |

- 5.2 As noted above the budget gap in 2015/16 is forecast as £1.3m, however this is before any element of demand growth is included. Our proposal to fund the gap is to use the £477k of remaining headroom on the Schools Block (that report refers) and transfer that to the High Needs Block. The use of headroom and its transfer is a decision for the Local Authority, however we are required to consult with the Local Authority on this decision. Therefore Schools Forum is asked for its views on this proposal (reference is also made to this in the Schools Block report separately on the agenda.)
- 5.3 Even with the proposed use of headroom, as noted above there will still be a budget gap of £867k in 2015/16, not taking account of any growth as noted above. We would propose that the working group set up at last month's meeting be tasked with developing proposals for making savings on the high needs block to fund that gap in line with the options put forward by the Local Authority and its independent consultant by the March 2015 Schools Forum meeting and in time for implementation by September 2015 or earlier if possible. In the meantime the Authority proposes to implement the management actions agreed at the last meeting being informed as necessary by an internal audit review currently being undertaken.
- 5.4 **If funding is not found to bridge the funding gap in 2015-16 then any budget headroom in 2016-17 (which would include potentially the equal pay provision annual contribution of £0.6m) will need to be diverted away from the schools block 2016-17 and be transferred to the high needs block to fund any funding deficit in 2015-16. This position would not be financially sustainable going forward and would affect the budget of all schools in the borough.**
- 5.5 Regarding any demand growth in 2015/16 in line with the views of the last meeting the Authority will seek to forecast this by March and make representations via Schools Forum as appropriate to the EFA should these appear to exceed levels reasonably expected to be funded by the DSG in line with current guidelines.