

Schools Forum – 12th January 2023

High Needs Block update

Executive Summary:

- The forecast outturn for the 2022/23 High Needs Block is £7.8m overspend (forecast overspend at Q2 £6m).
- At the end of the last financial year the DSG reserve was in deficit by c £8.6m and will deepen given the expected overspend in 2022/23.
- Additional Government funding next year will see Staffordshire's High Needs Budget increase to £122m (c 6%) and in line with previous forecasts. However the Government have confirmed additional funding next year of £400m nationally of which Staffordshire will receive c £4.8m. Part of this additional funding must be paid directly to Special Schools (and PRUs) to ensure a further funding rise of 3.4% next year (on top of the fixed MFG).

Recommendations:

That Schools Forum notes:

1. the High Needs Block budget update 2022/23 and latest forecast outturn
2. the update on the latest DSG government settlement

Report of Director for Children and Families

Background

3. The financial risk of the High Needs Block has been a standing agenda at Schools Forum. The increase in demand on the High Needs Block has been reported regularly. Pressures on the High Needs block are on-going due to the continued increase in a range of areas. These include:
 - Additional needs requests
 - Increase in pupil numbers requiring EHCPs,
 - Extension of age group to 25 for those with EHCPs,
 - Increase in independent placements and costs,
 - Increase in Matrix funding for special schools,
 - The funding of increased numbers of pupils educated 'other than at school' (EOTAS)
 - Increase in the number of pupils permanently excluded (and back to pre-pandemic levels)
- Budget 2022/23 and Forecast
4. For Staffordshire the High Needs budget 2022/23 is £114.8m; an increase of £13.7m compared with 2021/22 (13.6%). There has been no transfer of funding from the Schools Block this year to supplement the SEND budget.

This increase has been passed on in full for the provision of SEND and high needs; none of this funding increase will be used to repay historical deficits. For 2022/23 Special School budgets 22/23 have been set based on:

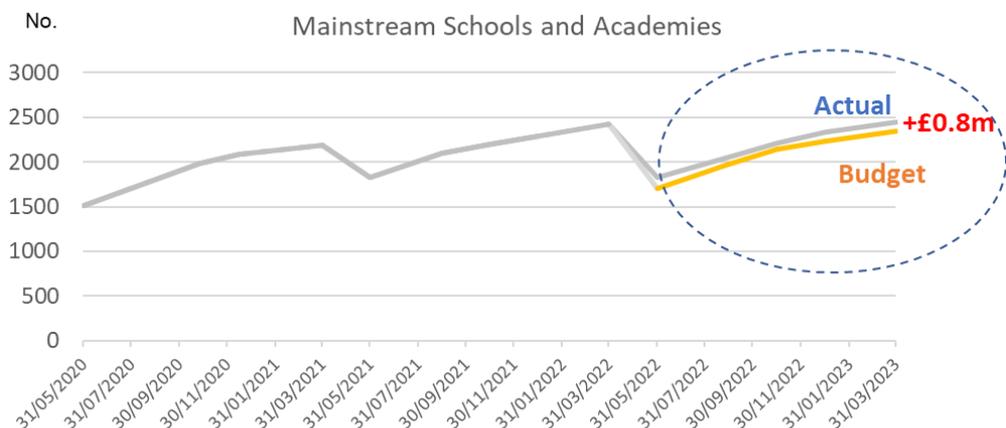
- i. a Minimum Funding Guarantee of 2.5% (higher than the MFG set by Government of 0%); ensuring that funding for all Special Schools, on a like for like basis, increased by a minimum of 2.5%.
- ii. no capping of school gains

5. Whilst the additional Government funding is recognised, rises will only keep pace with rises in cost / demand and this is insufficient to close the gap. The forecast overspend this year is circa £7.8m, higher than the forecast overspend reported at Q2 of £6m and largely due to additional demand and costs for Independent provision (a more detailed overview of the High Needs Block budget is provided within Appendix 1):

High Needs Budget 2022/23	Budget 22/23 £m	Outturn £m	Over / (Under) spend £m
Planned Places	33.1	33.1	0.0
Top Up Budgets	40.6	42.8	2.2
Non Top Up Budgets			
Independent Schools (Mainstream & Special)	25.7	30.1	4.4
Alternative provision (inc Hubs)	3.7	3.8	0.1
Post 16	4.7	5.6	0.9
Other	7.0	7.4	0.4
Total Net Spend	114.8	122.8	8.0
Total Funding	(114.8)	(115.0)	(0.2)
Net Outturn	0.0	7.8	7.8

6. Key variances arising

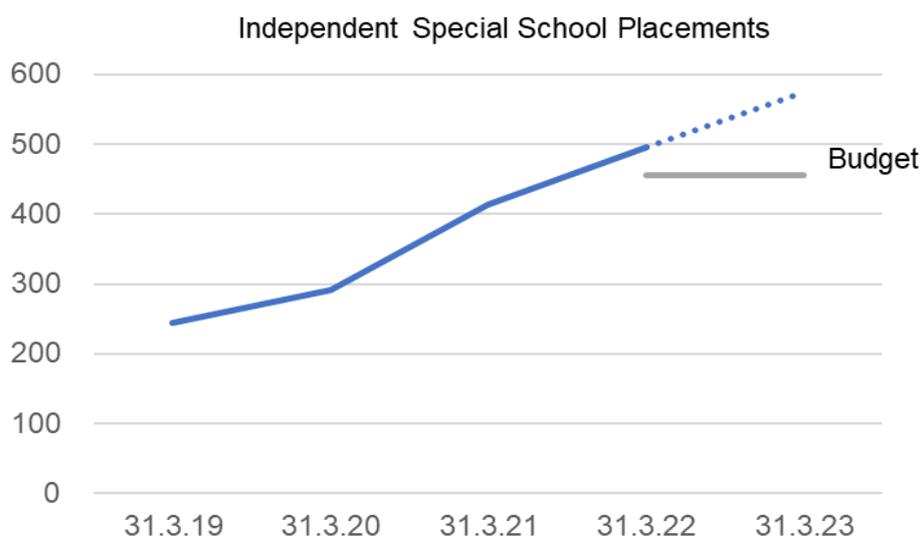
- i) An overspend of c £2.2m against the school 'top up' budgets, largely a result of:
 - the number of children with EHCP/AEN support in Mainstream Schools and Academies leading to a £0.8m overspend:



- An overspend of £1.0m in special schools and academies, arising as a result of both an increase in demand and a rise in the proportion of children receiving higher levels of top ups as a result of increasing needs:

Top Ups	2022/23			
	# fte		£m	
Matrix 1	489	22%	0.1	
Matrix 2	769	35%	1.3	
Matrix 3	969	44%	8.3	9.6
School Specific	2227			2.7
Additional Places				2.2
Enhancements				3.2
Exceptional Need				0.7
Residential				1.8
Adjustments (part time / backdated)				0.3
EBT (1-10)	111			1.1
EBT (school specific)				0.1
EBT (override)				0.0
Allowance for more growth				0.6
Total Spend				22.4
			Budget	21.4
			Variance	1.0

- ii) An overspend of c £4.1m in Independent Special Schools; this is c £1.3m higher than previously forecast and reflects additional places/demand and increasing costs (over the year there has been a rise of nearly 10% in the average placement cost for Independent provision)



- iii) Other net overspends of c £1.5m due to increasing demand, most significantly for Post 16 provision (£0.9m) and Early Years (SEN Inclusion fund) (£0.3m).

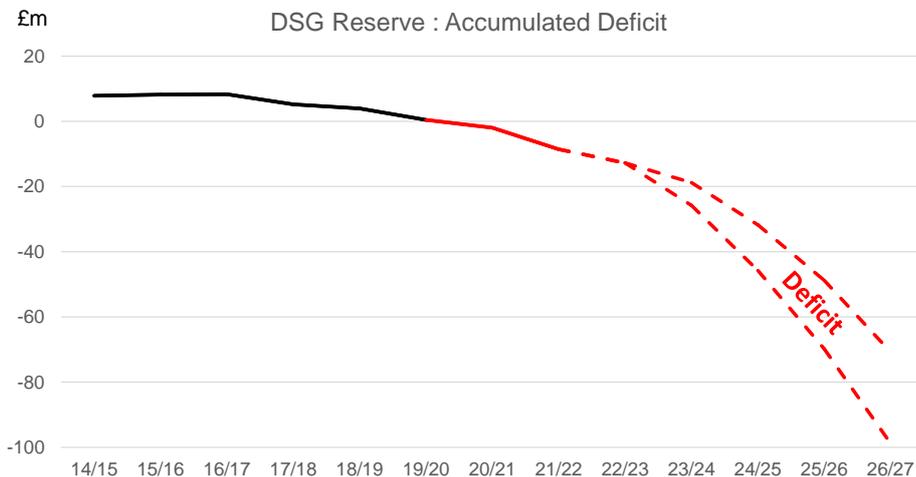
Note: the High Needs Block does not include the following costs:

- SEND home to school/college transport; this is funded from the Council's general fund resources. The budget in 2022/23 is £18.3m and the latest forecast is that this budget will overspend by £3m this year.

The main issues driving up the cost of this budget are the increase in demand, the placement of children and young people in education settings beyond their own community including independent out of county special schools, an increase in the average cost per pupil which includes both transport and escort costs and an increase in single occupancy journeys.

- prudential borrowing; a further amount of £0.924m is funded from the Central Block for historical but on-going debt charges as a result of borrowing previously taken out to finance historical capital investment in our Special Schools.

7. As a result of the on-going overspend in the HNB, over the last few years the DSG reserve has been fully depleted and at the end of last year was in deficit by £8.6m. Given the latest forecast overspend 2022/23 that deficit is likely to increase this year to c £16.4m (before under/overspends from other blocks).
8. Going forward it is anticipated that demand – and costs - will continue to increase in line with historic rises. Given the anticipated annual HNB overspend, this could see the overall accumulated DSG deficit increase to between £70m and £100m by the end of 2026/27:



- Government Funding 2023/24

9. For Staffordshire the indicative High Needs Block allocation 2023/24 will be c £122m – a rise of £7m (6%) compared to 2022/23 (subject to final settlement). This is consistent with the funding levels previously assumed and reflected in the forward projections and Deficit Management Plan.

10. In the recent Autumn Statement, the Chancellor confirmed additional funding for schools of c £2bn nationally of which £400m will be directed to the HNB. It is estimated that Staffordshire will receive a further £4.8m in 23/24 and is subject specific additional terms and conditions including:

- Part of this additional funding must be used to provide additional support to Special Schools (and PRUs). Payments must be made equivalent to 3.4% of the estimated total grant funding for each school (planned places and average top up payments 22/23)
- This additional funding is on top of MFG calculations 23/24
- Amounts must be separately identified and paid during 23/24

- Deficit Management Plan

11. A longer term financial management plan to recover the deficit, using the ESFA recommended 'deficit management plan' (DMP) template, has been developed that is consistent with the actions and objectives outlined in the Council's Accelerated Progress Plan and wider SEND Strategy. This was presented, in summary, to the Schools Forum in November.

12. A key part of the DMP was for a funding transfer of 0.5% from Schools Block to High Needs Block in 2023/24. This was rejected by Schools Forum in November and as such the Council has now made a disapplication request to Secretary of State to approve the transfer; at the time of writing this report it is not yet known if that request has been approved.

13. The DMP will be updated in due course for any changes once the outcome of the disapplication is known and to reflect changes arising from the final government funding settlement and associated MFG decisions etc. Proposed changes to the DMP will be brought forward and shared with Schools Forum at future meetings.

14. The 'High Needs Block Working Group' is scheduled to meet on 9 January and will consider in more detail the modelling and assumptions that make up the DMP.

- Education Banding Tool

15. The SEND Teams continue to work with Imosphere (the provider of the EBT software) to review, reflect on and develop the EBT methodology. This term, we are meeting to explore trends in the 6-month data set with a view to ensuring that the approach accurately reflects the provision that children and young people require to meet their needs. This work should address some of the minor discrepancies we are aware of related to the sensitivity of the EBT methodology particularly for children with very complex medical and motor needs. We are also exploring how we might extend EBT into the post 16 phase. Further updates will be available once this analysis has been completed.

- Government Response to the SEND and Alternative Provision green paper

16. In response to the SEND and Alternative provision consultation, the government has confirmed that a full response will be published in an Improvement Plan expected early in 2023.
17. It is expected that the Improvement Plan will focus on delivery; outlining the immediate steps the DfE will be taking, and how long-term sustainable systemic change will be secured. We will report on the implications for Staffordshire following the publication of the plan.

- SEND developments

SEND and Inclusion District Hubs

18. Of the children and young people no longer recorded on the SEND and Inclusion register during the academic year 2021/2022, nearly two thirds received an appropriate graduated approach and required no further intervention or support. Just over 10% required an EHCP to meet their needs.
19. During the autumn term a further 311 children and young people have been closed to the hub of which, 64% received an appropriate graduated approach.
20. The number of children and young people who receive a permanent exclusion and known to the SEND & Inclusion hubs continues to increase. We would expect any youngster permanently excluded for persistent disruptive behaviour to be known to a hub. This has increased to 61% during the Autumn term 2022 compared with only 46% in 2021.
21. As at the end of the Autumn term 2022, 1452 children and young people continue to be open to the SEND & Inclusion hubs.

Other developments

22. A Task and Finish group has been established and is designing a new holistic pathway to support early intervention prior to a request for an Education, Health and Care Needs Assessment (EHCNA). The county council is also reviewing the current Educational Psychology capacity as they play a critical role in the educational support available to children with SEND.
23. The countywide review of special provision (mainstream and special) is underway and in the Spring term will be consulting on a proposed strategy during the spring term. It is expected that the implementation of the agreed strategy will commence from September 2023.
24. Further investment is being secured to support the annual review and phase transfer process. This also includes the systems and processes for where an EHC plan can be ceased because the outcomes have been met or the young person is no longer accessing education.

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Appendix 1 - Forecast Outturn 2022/23 (as at Quarter 3)

2022-2023 HIGH NEEDS BUDGET (as at Quarter 3)	Latest Budget	Forecast Outturn	Over/(Under) spend
	£m	£m	£m
Planned Places	33.1	33.1	0.0
Top Up Budgets	40.6	42.8	2.2
Staffordshire Special Schools and Academies	20.9	21.8	0.9
Staffordshire Mainstream Schools	15.0	16.4	1.4
Pupils in other LA Special & Mainstream Schools & Academies	2.2	2.4	0.2
Pupil Referral Units	2.5	2.2	(0.3)
Non Top Up Budgets	41.1	46.9	5.8
Independent Schools Mainstream	1.8	2.1	0.3
Independent Schools Special	23.9	28.0	4.1
Independent Hospital Fees	0.2	0.3	0.1
Early Years PVIs	0.2	0.5	0.3
Alternative provision (inc Hubs)	3.2	3.2	0.0
Education Other Than At School (EOTAS)	0.5	0.6	0.1
SEN Support Services	6.6	6.6	0.0
Post-16 FE Placements & Top-ups for ISPs	4.7	5.6	0.9
GRAND TOTAL	114.8	122.8	8.0
Funding	(114.8)	(115.0)	(0.2)
High Needs Allocation from Government	(114.8)	(115.0)	(0.2)
Transfers from other Blocks	0.0	0.0	0.0
NET FORECAST OUTTURN	0.0	7.8	7.8