

## **Schools Forum – 13<sup>th</sup> July 2023**

### **High Needs Block update**

#### **Executive Summary:**

- For Staffordshire the High Needs Block budget for 2023/24 is £127.0m; an increase of £12.0m compared with 2022/23 (10%). None of this funding increase will be used to repay historical deficits.
- The Council recognises the financial pressures schools across Staffordshire are facing and has increased funding this year for all state funded special schools, on a like for like basis, by a minimum of 0.5% in line with the Government set MFG. A further payment will be made equivalent to 3.4% of funding 22/23 in line with Government guidelines as part of the final DSG settlement and additional funding outlined in the last Autumn Statement.
- The forecast outturn for the 2023/24 High Needs Block is £18.0m overspend including a significant increase in costs arising as a result of EBT.
- At the end of the last financial year the DSG reserve 'deficit' increased from £8.6m to £14.2m. Given the forecast overspend in 2023/24 this will likely deepen further in 23/24 and is expected to be over £30m in deficit at the end of the current year. Left unaddressed the accumulated deficit is likely to be c £100m by the end of 2025/26.
- The Council has put in place and must maintain a 'deficit management plan' to mitigate, as far as possible, the current overspend. Whilst actions are being taken to deliver proposed changes, this will take time and so far has delivered little impact.

#### **Recommendations:**

That Schools Forum notes:

1. the High Needs Block budget 2023/24 and latest forecast outturn

#### **Report of the Director for Children & Families**

#### **Background**

2. 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 'top up' funding for special schools,
  - The funding of increased numbers of pupils educated 'other than at school'.
  - Increase in the number of pupils permanently excluded (and back to pre-pandemic levels)

- Budget 2023/24 and Forecast

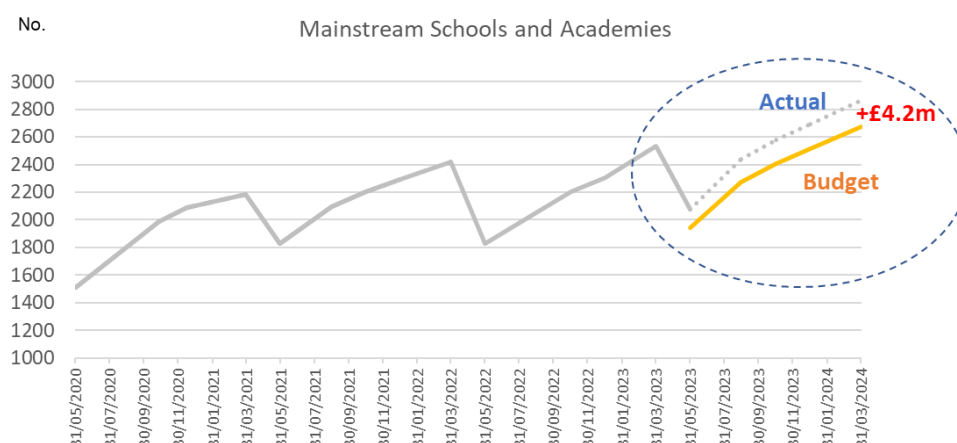
3. For Staffordshire the Government had initially indicated a High Needs Block allocation 2023/24 for c £122.2m; however, in the Autumn Statement, the Chancellor confirmed additional funding for schools of c £2bn nationally including £400m that will be directed to the HNB. Staffordshire will receive a further £4.8m in 23/24, a proportion of which, according to terms and conditions that have been confirmed alongside the extra funding, must be used to provide additional support to Special Schools (and PRUs) equivalent to 3.4% of the estimated total grant funding for each school for their increase in costs. This will be paid separately in 2023/24 and is on top of existing MFG commitments.
4. For Staffordshire the High Needs budget 2023/24 is £127.0m; an increase of £12m compared with 2022/23 (10%). This increase has been passed on in full for the provision of SEND support; none of this funding increase will be used to repay historical deficits. Most significantly this has ensured for 2023/24 Special School budgets have been set to include:
  - i. a Minimum Funding Guarantee of 0.5%; ensuring that funding for all Special Schools, on a like for like basis, will increase next year by a minimum of 0.5%. This is in line with Government guidance for a MFG of 3% over 2 years (Staffordshire approved MFG in 22/23 was 2.5%).
  - ii. there will be no capping of school gains
  - iii. [a payment equivalent to a further 3.4% will also be made to schools calculated in accordance with government guidelines outlined above]
5. Staffordshire's request this year for a transfer of 0.5% (equivalent to c £3.1m) from the Schools Block to the High Needs Block was refused by Schools Forum at its meeting November 2022. The Council submitted a disapplication request for the block transfer which was rejected by the Secretary of State for Education.
6. Whilst the additional Government funding is recognised, this will not keep pace with rises in cost and demand and the gap is continuing to increase. The forecast overspend this year is circa £18.0m (see Appendix 1 for more detailed overview):

<u>High Needs Budget 2023/24</u>	Budget 23/24 £m	Outturn £m	(Under) spend £m
Planned Places	35.0	35.0	0.0
Top Up Budgets	44.3	53.1	8.8
<u>Non Top Up Budgets</u>			
Independent Schools (Mainstream & Special)	29.3	38.5	9.2
Alternative provision (inc Hubs)	3.8	3.3	(0.5)
Post 16	5.5	5.9	0.4
Other	9.1	9.2	0.1
<b>Total Net Spend</b>	<b>127.0</b>	<b>145.0</b>	<b>18.0</b>
<u>Funding</u>			
Government HNB DSG Allocation	(127.0)	(127.0)	(0.0)
Transfers from other Blocks	0.0	0.0	0.0
<b>Total Funding</b>	<b>(127.0)</b>	<b>(127.0)</b>	<b>(0.0)</b>
<b>Net Outturn</b>	<b>0.0</b>	<b>18.0</b>	<b>18.0</b>

## 7. Key variances arising

- i. An overspend of c £8.8m against the school 'top up' budgets including most significantly:

- a rise in the number of children with EHCP/AEN support in Mainstream Schools and Academies leading to a £4.2m overspend:



- An overspend of £3.8m in special schools and academies due to the combined impact of increasing demand, complexity and costs:

Top Ups	2023/24		
	# fte		£m
Matrix 1	389	20%	0.1
Matrix 2	689	36%	1.1
Matrix 3	848	44%	7.3
School Specific	1926		2.3
Additional Places			0.8
Enhancements			1.7
Exceptional Need			0.6
Residential			1.8
Adjustments (part time / backdated)			0.3
EBT (1-10)	508		5.6
EBT (school specific)			0.4
EBT (override)			0.1
Allowance for more growth			4.0
<b>Total Spend</b>			<b>26.0</b>
Budget			22.2
Variance			3.8

- An overspend of c £0.4m for Pupil Referral Units due to increasing numbers of pupil exclusions which are now back to pre-pandemic levels

## Note: Education Banding Tool (EBT) impact

The EBT has now been in place for a year and as planned a review of the implementation is being undertaken to ensure it is delivering the intended objectives. A key condition for the implementation of the EBT was that it would be broadly cost neutral overall – to both the wider school sector and to avoid any further additional cost to the HNB given the existing overspend.

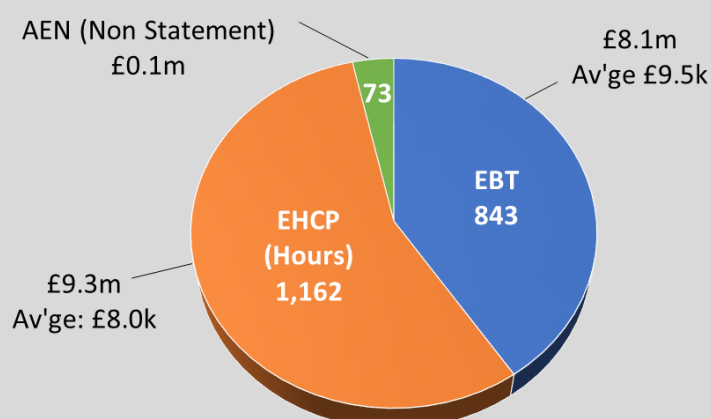
### a) Special Schools and Academies

Current monitoring of the 'average' top up cost of EBT placement costs in Special Schools compared with the matrix levels indicate a concerning increase; the average 'top up' cost for placements on EBT is significantly higher at c £0.012m compared with the matrix model of c £0.007m:

	EBT	Matrix
Top Up £m	5.6	8.5
School specific £m	0.4	2.3
Enhancements/Override	0.1	2.3
<b>Total £m</b>	<b>6.1</b>	<b>13.1</b>
fte	508	1926
<b>Av £m/fte</b>	<b>0.012</b>	<b>0.007</b>

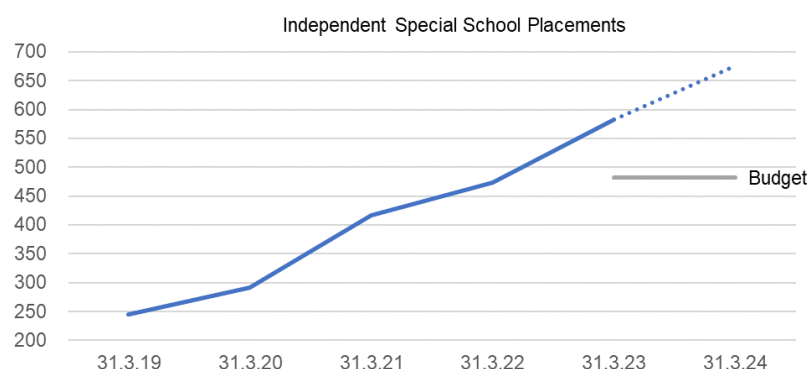
### b) Mainstream Schools

As at the end of May, there are 2,078 children placed within our mainstream schools at a cost of c £17.5m. Of those 843 (40%) are currently assessed under the EBT at a cost of c £8.1m equivalent to an average £9.5k per child; significantly higher than the average cost of £8k for those that remain on the previous EHCP (Hourly rate) model.



This represents an unaffordable increase in costs (c £5m) and appears to reflect a significant 'shift' in the profile of assessments towards higher levels compared with the desktop sample / exercise that was undertaken as part of the implementation and on which the proposed EBT rates were set. This will be reviewed as part of the Education Banding Tool review.

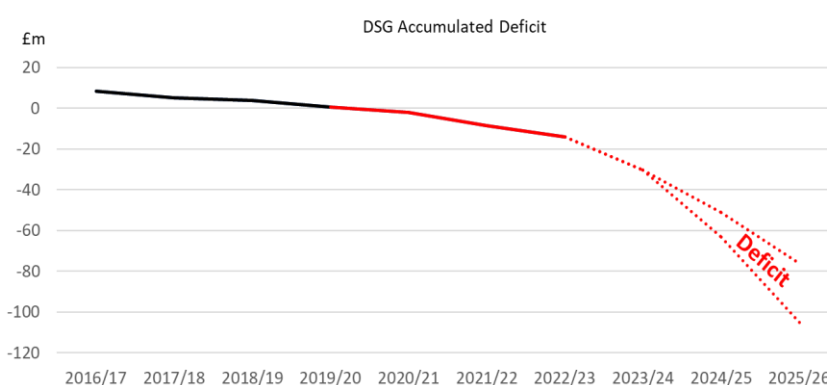
ii. An overspend of c £8.2m in Independent Special Schools



iii. Other net overspends of c £1.0m due to increasing demand, most significantly for Independent mainstream provision, Post 16 provision and Early Years (SEN Inclusion fund).

- DSG Reserve and Management Plan

8. There has been a history of underfunding nationally of the Higher Needs Block which has led to significant year on year overspends in HNB, most recently for 2022/23 an overspend of £9.1m. Staffordshire County Council is not alone in this difficult financial predicament – this is a position shared by the majority of Councils across the sector.
9. 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 the deficit increased from £8.6m to £14.2m. Given the latest forecast overspend 2023/24 that deficit is likely to increase this year and going forward until such time that the SEND strategy can impact:



10. No single action alone will be sufficient to mitigate the existing deficit, but this will only be addressed through a combination of interventions. The Council brought forward to Schools Forum in November a 'DSG deficit management plan' (DMP) outlining the actions that can be taken to address and mitigate the existing shortfall as far as possible. This reflects the actions included within the APP and sits alongside the wider service transformation and, working in partnership with

Schools Forum, will be monitored and updated going forward as required. Key actions include:

- Managing Demand and Sufficiency of Places; Strategies developed as part of the Accelerated Progress Plan;
  - will continue to support multi-agency working to enable true coproduction that is based on the principle of holistic outcomes. This will provide support prior to and a review of the Education, Health and Care Needs Assessment (EHCNA) pathway so that a 'team around the child' approach is developed as part of the graduated response. The intention is to ensure the appropriate level of early intervention is available and robust decision making is in place to determine who requires an EHCNA.
  - A central EHCNA panel has been established to ensure a robust and consistent review and challenge of initial requests and graduated approach prior to assessment.
  - A review of specialist provision (mainstream, special and alternative provision) including enhanced provision in mainstream schools (Staffordshire Enhanced District Inclusion Support (SEDIS) Model) to ensure there is sustainable provision across the county that meets current and future needs and demands. It is our strategy:
    - to increase the number of CYP with EHCP who access mainstream education- wherever possible within their local community and if appropriate with specialist support
    - to provide additional capacity within our specialist sector for CYP who require a more specialist/tailored provision targeted at the increasing trend of SEMH and ASC
    - reduce reliance on Independent Specialist Provision
- Early Intervention
  - SEND & Inclusion District (Hubs) model; Staffordshire is continuing to embed the SEND and Inclusion District model which:
    - provides mainstream education providers, at a local level, with multi agency support and challenge as well as promoting inclusive practice
    - builds on and promotes the early help model and graduated approach as a key tool for inclusion and meeting the needs of CYP at the earliest opportunity and before they escalate and require an EHCNA / EHCP to access support.
  - SEND Inclusion Fund; There has been a significant increase in demand for support to Early Years (pre-school) children pre EHCP. Accordingly the Council has made significant additional investment through the SEND Inclusion Fund to provide early support and intervention that prevent needs from escalating.
- Capital Investment; Staffordshire has approved a capital programme to deliver new places and improve existing provision, within education settings, for CYP with special educational needs and disabilities (SEND). This is in accordance with the Vision and Priorities outlined in the Staffordshire Special Educational Needs and Disabilities (SEND) Strategy 2021-2026.

- Financial Management:
  - Through the Staffordshire SEND and Inclusion Partnership Group - which is co-chaired by the local authority and Integrated Care Board (formerly the CCGs for Staffordshire) - we will continue to develop joint commissioning arrangements with health colleagues.
  - Review of non-statutory activity that is funded by HNB - this includes a review of:
    - existing policy for the acquisition of additional planned places procured throughout the year.
    - existing contracts for residential education provision
    - alternative funding sources where appropriate
  - The Council will continue to monitor closely contracts for independent provisions to ensure they are cost effective, adequately meet needs and continue to offer good value.
  - We are reviewing of our direct payments and personal budgets to ensure that they meet the needs of CYP and there is sufficient information and support for schools, practitioners and parents.
  - Transfer of 0.5% funding from the Schools Block to the High Needs Block. This will be invested to fund the Council's transformation programme outlined above.
- Other: Schools Forum has agreed that the following other contributions should be earmarked for transfer to the Council's DSG reserve:
  - surplus Growth Fund money (after amounts have been used to fund NFF shortfalls and contributions to schools for in year growth). This is estimated to be c £1.5m for 23/24.
  - surplus unallocated funds, as part of the allocation of on going education functions (central schools services block). For 2023/24 this is forecast to be c £0.5m (including both on going functions and historic commitments).

11. Whilst the service continues to take action to deliver the above programme, this will take time and so far has delivered little financial impact to mitigate a rapidly worsening position.

12. The Education and Skills Funding Agency (ESFA), following our meeting last year on 30 September 2022, have recently requested a further update on the Council's High Needs Block position and deficit management plan delivery. It is anticipated this will be scheduled for late July / early August.

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Appendix 1 – Forecast Outturn 2023/24 (as at Quarter 1)

<b>2023-2024 HIGH NEEDS BUDGET (Quarter 1)</b>	<b>Latest Budget</b>	<b>Forecast Outturn</b>	<b>Over/(Under) spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Planned Places</b>	<b>35.0</b>	<b>35.0</b>	<b>0.0</b>
<b>Top Up Budgets</b>	<b>44.3</b>	<b>53.1</b>	<b>8.8</b>
Staffordshire Special Schools and Academies	21.7	25.6	3.9
Staffordshire Mainstream Schools	17.9	22.1	4.2
Pupils in other LA Special & Mainstream Schools & Academies	2.3	2.6	0.3
Pupil Referral Units	2.4	2.8	0.4
<b>Non Top Up Budgets</b>	<b>47.7</b>	<b>57.0</b>	<b>9.2</b>
Independent Schools Mainstream	2.3	3.3	1.0
Independent Schools Special	27.1	35.3	8.2
Independent Hospital Fees	0.2	0.3	0.1
Early Years PVIs	0.4	0.6	0.2
Alternative provision (inc Hubs)	3.2	2.8	(0.5)
Education Other Than At School (EOTAS)	0.6	0.6	0.0
SEN Support Services	8.5	8.3	(0.2)
Post-16 FE Placements & Top-ups for ISPs	5.5	5.9	0.4
<b>GRAND TOTAL</b>	<b>127.0</b>	<b>145.1</b>	<b>18.0</b>
<b>Funding</b>	<b>(127.0)</b>	<b>(127.0)</b>	<b>(0.0)</b>
High Needs Allocation from Government	(127.0)	(127.0)	(0.0)
Transfers from other Blocks	0.0	0.0	0.0
<b>NET FORECAST OUTTURN</b>	<b>0.0</b>	<b>18.0</b>	<b>18.0</b>