

Schools Forum – 9th November 2023

High Needs Block update

Executive Summary:

- The forecast outturn for the 2023/24 High Needs Block is £20.0m overspend.
- At the end of the last financial year the DSG reserve is in deficit by £14.2m and will deepen to more than £30m given the expected overspend in 2023/24.
- Indicative Government funding next year will see Staffordshire's High Needs Budget increase to £131m (c 3% higher than 23/24). This is considerably lower than recent rises and – whilst in line with expectation - will likely see the overspend increase in 2024/25 to c £25m.
- Left unaddressed the accumulated DSG Deficit is forecast to worsen over the next 4 years to between £150m and £225m by 2027/28.
- A 'Deficit Management Plan' (DMP) has been worked up, based on the Council's SEND Strategy and Accelerated Progress Plan (APP), that aims to develop a more inclusive system where more CYP with SEND access mainstream education - wherever possible within their local community - and if appropriate with specialist support. This will provide for a more sustainable model, with better outcomes for our CYP and reduce reliance on the non-maintained and independent sector.
- This will take time to impact and, in order to limit the extent of the accumulated deficit arising over the next few years, the DMP also includes a range of interventions and policy reviews that will provide for additional resource / reduce costs in the short and medium term.
- Given the continuing SEND demand, and growing deficit, Schools Forum are being asked to approve the transfer of 0.5% funding from the schools block for high needs in 2024/25. This forms a key part of the Council's DMP.
- The DMP will be monitored going forward and brought forward regularly to Schools Forum as part of the routine HNB update report.

Recommendations:

That Schools Forum notes:

1. the High Needs Block budget 2023/24 and latest forecast outturn
2. the latest budget assumptions 2024/25 and going forward
3. the Deficit Management Plan 2023/24 – 2027/28
4. the outcomes of the Council's consultation with schools regarding the 0.5% funding switch in 2024/25.
5. **That Schools Forum agrees to the 0.5% transfer from the Schools Block of the DSG to the High Needs Block (HNB) in 2024/25.**

Report of Director for Children & Families

Background

6. The financial risk of the High Needs Block (HNB) has been a standing agenda at Schools Forum. The increase in demand on the HNB has been reported regularly. Pressures on the HNB are ongoing 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' (EOTAS)
 - Increase in the number of pupils permanently excluded (and back to pre-pandemic levels)

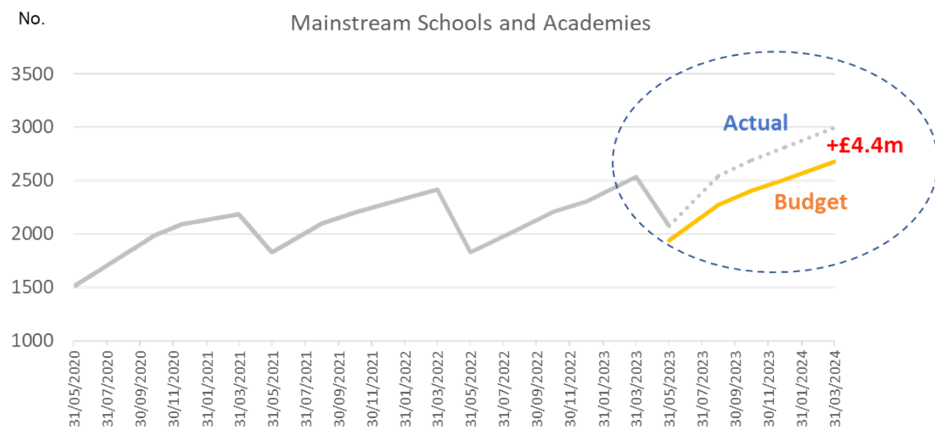
Budget 2023/24 and Forecast

7. For Staffordshire the High Needs budget 2023/24 is £127m; 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:
 - 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%).
 - there will be no capping of school gains
 - [a payment equivalent to a further 3.4% will also be made to schools calculated in accordance with government guidelines outlined above]
8. 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.
9. Whilst the additional Government funding is recognised, this is not keeping pace with rises in cost and demand and the gap is continuing to increase. The forecast overspend this year is circa £20.0m (see Appendix 1 for more detailed overview):

High Needs Budget 2023/24	Budget 23/24 £m	Outturn £m	(Under) spend £m
Planned Places	35.0	35.0	0.0
Top Up Budgets	44.3	55.2	10.9
<u>Non Top Up Budgets</u>			
Independent Schools (Mainstream & Special)	29.3	37.2	7.9
Alternative provision (inc Hubs)	3.8	4.3	0.5
Post 16	5.5	6.1	0.6
Other	9.1	9.1	(0.0)
Total Net Spend	127.0	146.9	19.9
Total Funding	(127.0)	(126.9)	0.1
Net Outturn	0.0	20.0	20.0

10. Key variances arising

- An overspend of c £10.9m 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 £4.4m overspend:



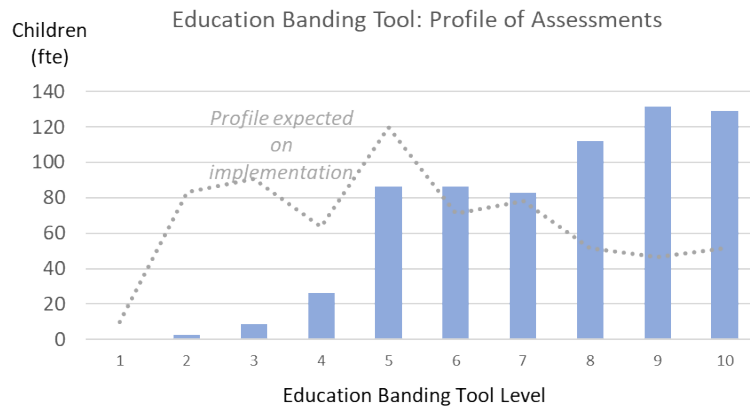
- An overspend of £5.2m in special schools and academies due to the combined impact of increasing demand, complexity and costs:

		2023/24		
<u>Top Ups</u>	# fte		£m	
Matrix 1	361	20%	0.1	
Matrix 2	648	36%	1.1	
Matrix 3	801	44%	6.9	8.0
School Specific	1810			2.1
Additional Places				0.8
Enhancements				2.2
Exceptional Need				0.6
Residential				1.8
Adjustments (part time / backdated)				0.6
EBT (1-10)	666			7.4
EBT (school specific)				0.5
EBT (override)				0.1
Allowance for more growth				3.2
Total Spend				27.4
Budget				22.2
Variance				5.2

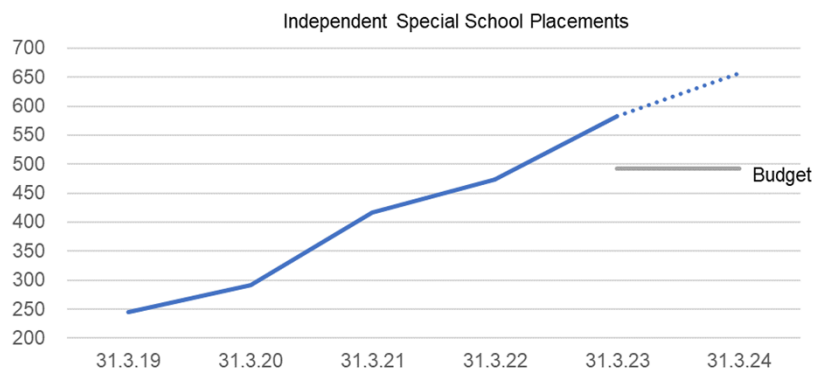
Average £/fte
0.007

Average £/fte
0.012

The following shows the profile of assessments allocated under the Education Banding Tool. It is heavily weighted towards the highest banding levels 8-10, considerably higher than had been anticipated, and is giving rise to the significantly higher average cost per child (fte) compared to the existing Matrix model.



- 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
- An overspend of c £7m in Independent Special Schools



- Other net overspends of c £2.1m due to increasing demand, most significantly for Independent mainstream provision, Post 16 provision and Early Years (SEN Inclusion fund).

Education Banding Tool (EBT) Update

Following the planned review of the EBT during Summer 2023, the decision was made, from 1 August 2023, to suspend the EBT to calculate the top-up funding for Staffordshire pupils with an EHCP and therefore from this date we have reverted back to the previous funding models for mainstream and special schools.

All schools were informed of this following the confirmation at the 13 July 2023 meeting of Schools Forum in a letter, from the Assistant Director for Education Strategy and Improvement, dated 19 July 2023.

Since the 1 August 2023, any top-up funding for EHCPs that have not yet been finalised or any changes to plans following an annual review have not been calculated using the EBT. Instead, top-up funding for special schools have been calculated using the matrix model and mainstream schools funded for allocated hours. Where a plan had been finalised prior to 1 August 2023 and an EBT funding level agreed, this has continued to be funded at the agreed EBT amount, at this time. Please note that the updated [Special School Matrix](#) document and details of [mainstream funding](#) levels is now available on the Local Offer.

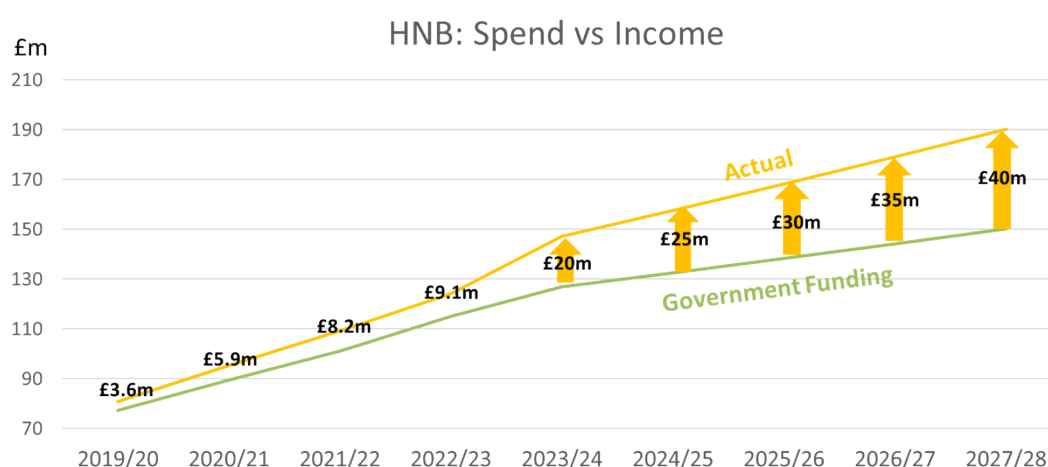
The LA is still committed to the EBT and is currently undertaking a remodelling of both mainstream and specialist band values, ensuring the quality assurance steps are in place, as well as a review of the EBT formula, with the intention of reinstating the EBT autumn 2024 with the assurance that all issues experienced have been resolved. The current mandatory EBT training for SEND staff has been refreshed by Imosphere and all key SEND staff have completed the updated on-line training and attended a half day workshop to improve consistency when completing the Pupil Needs Profile (PNP).

SEND staff will continue to complete a PNP for new EHCPs and where there are changes to a plan following a review, with the aim to provide a new data set to use for budget modelling in Spring 2024 and to support future decision making regarding the reinstatement of the EBT. The individual PNPs will remain an internal document and will not be shared with parent/carers or Education Providers. The LA will continue to keep schools informed of this progress next term, with the aim of an education provider consultation undertaken prior to an agreed re-launch of the EBT.

Budget 2024/25 and Going Forward

11. In 2024/25, based on initial estimates, Staffordshire's high needs budget next year will increase to c £131m (an increase of just 3% compared to 2023/24). This is significantly lower than previous years and the assumption is that, going forward, the HNB will continue to rise annually by just c 3% - 4% p.a. from 2025/26.

12. Whilst this is broadly in line with expectation (in fact slightly lower), it is not unusual for further funding to be released in the Autumn statement – however this cannot be assumed and, in the event, will likely only increase funding to the level already assumed in our financial forecasts of around £132.5m
13. Though previous rises have been passed on in full for the provision of SEND (none has been used to repay historical deficits), funding has struggled to keep pace with increases in demand and cost and have been insufficient to ‘close the gap’ which has gradually increased. Given the lower level of Government funding now assumed going forward, we anticipate the annual funding gap will increase significantly year on year. It is forecast there will be a further overspend next year of at least £25m and – left unaddressed – will likely increase annually going forward to at least £40m by 27/28:



[Note: the HNB Operational Guidance 2024/25 (section 18.1) provides guidance regarding the maintenance and funding of EHCPs for other authority ‘Looked After Children’. There is a risk that this could lead to a significant additional burden and we continue to monitor the situation.]

Accumulated DSG Deficit

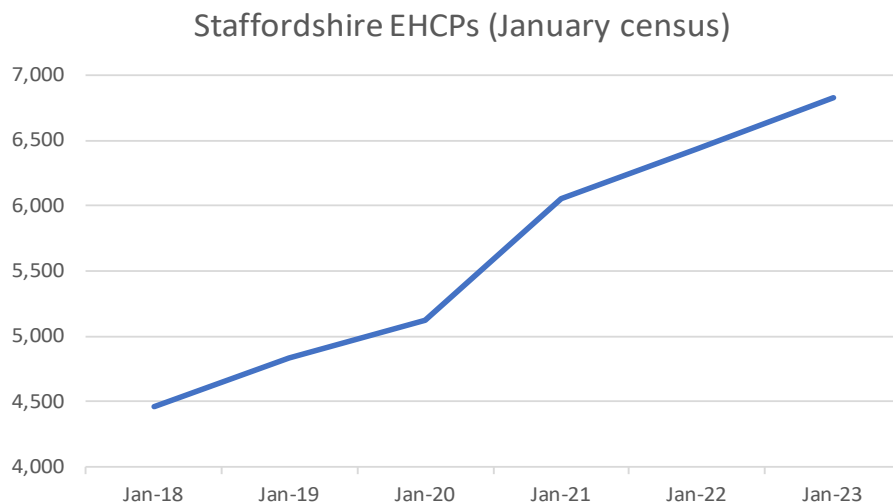
14. As a result of the on-going overspend in the HNB, over the last few years the DSG reserve has been fully depleted and at the end of last year (22/23) there is an accumulated deficit of c £14.2m. Given the latest forecast overspend 2023/24 of £20m that deficit is likely to increase this year and, after the transfer of anticipated surpluses from Growth Fund and Central Block, is forecast to be over £30m in deficit at the end of the current year:

	£m
Accumulated deficit b/f	14.2
- Forecast HNB Overspend 23/24	20.0
- Forecast Growth Fund surplus 23/24	-1.5
- Forecast Central Block surplus 23/24	-0.5
Forecast Accumulated deficit end of 23/24	32.2

15. The HNB overspend – and accumulated deficit - is mainly due to increased demand for Special Educational Needs provision and in particular:
- the rise in demand for Education, Health and Care plans (EHCPs) following national reforms from 2014;
 - increasing complexity of children’s needs; and
 - the rising demand and costs for out of county (Independent) placements.

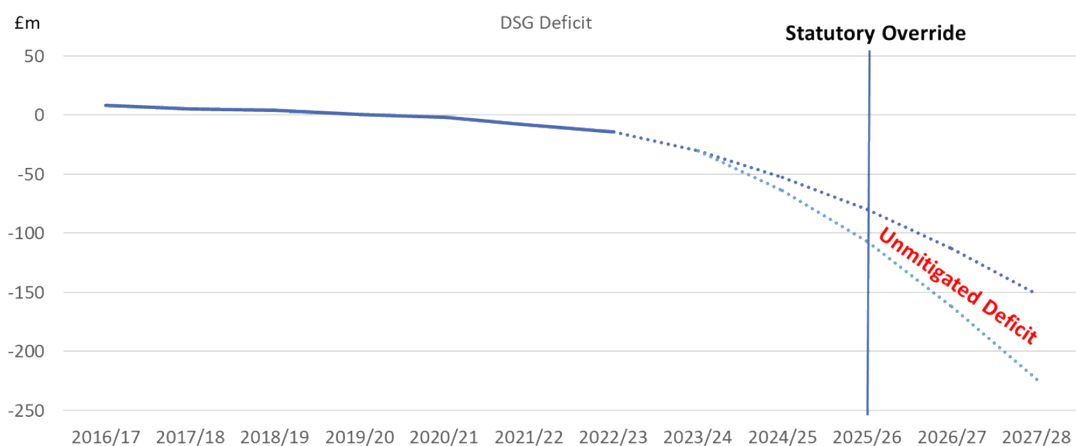
In particular there has been a significant increase in demand for those CYP with a primary need of Social, Emotional and Mental Health (SEMH), Speech, Language and Communication (SLC), or Autism Spectrum Conditions (ASC) and there is an increasing population of CYP presenting with anxiety and associated mental health conditions which are preventing attendance at school, placing increasing pressure on the Alternative Provision element of the HNB due to the additional use of tuition and EOTAS.

16. The following shows the rise in demand for EHCPs within Staffordshire over the last 5 years; whilst increases are in line with (in fact slightly below) the national trend, data also indicates that we have too many CYP with EHCPs educated in the specialist sector:



	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23
Staffordshire	4,456	4,835	5,117	6,056	6,437	6,830
Year on Year change		8.5%	5.8%	18.4%	6.3%	6.1%
Nationally	319,819	353,995	390,109	430,697	473,255	517,049
Year on Year change		10.7%	10.2%	10.4%	9.9%	9.3%

17. Pressures on the HNB and resulting accumulated DSG deficit is a key risk faced by the Council and is being monitored closely as part of its corporate finance and performance reporting. 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 £150m and £225m by the end of 2027/28:



18. Given the current level of ‘DSG deficits’ within the system, a further intervention has been brought forward – this time by DLUHC – requiring authorities to hold DSG deficits in a separate reserve in the authorities accounts¹. Whilst initially a temporary ‘statutory override’ for the 3 years 2020/21 to 2022/23, due to the worsening situation this has since been extended to end of 2025/26 and effectively restricts the Council from applying its general resources to help support the High Needs Block. It is currently unclear how accumulated deficits will be managed beyond that time.

SEND Strategy & Accelerated Progress Plan

19. The local authority has a strategic plan on how, over time, it intends to bring the HNB to sustainable levels:

Developing Targeted Support

- The local authority is supporting the SEND & Inclusion district model which has created collaborative working between ourselves and schools. As part of this project the LA, schools and other stakeholders, have established a locality based model - at a District level - enabling early intervention for the benefit of pupils who are identified as being in need.
- A further development of the Enhanced Assess-Plan-Do-Review (EAPDR) Pathway has been co-produced with schools, education settings, Parent Carer Forum, Health, Social Care and Educational professionals in order to support schools and educational settings with capacity to meet a child or young person’s SEND needs by accessing the right support, in the right place, at the right time.

Collaborative Working

- The LA is working closely with independent providers, both existing and new, to identify cost effective provision for high needs placements that offers value for money and ensures good outcomes for pupils with SEND.
- Using the DfE SEND capital funding to create additional provision in Staffordshire special schools based on a detailed analysis of need,

¹ The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020

specifically in relation to social emotional mental health needs (SEMH) and Autism.

- A pre-statutory Staffordshire Enhanced District Inclusion Support Model (SEDIS) accessed via an Enhanced Assess-Plan-Do Review Pathway to provide mainstream educational settings with the resources and support to deliver the graduated response.

Partner Contributions

- The Council will continue to ensure a fair contribution is made from health and social care partners towards the cost of specialist places and provision where appropriate.

20. The Council has put in place significant additional investment of c £3m to support a locality based model - at a District level - enabling early intervention for the benefit of pupils who are identified as being in need. This is essential to enable the long term changes outlined above but is an additional pressure on existing scarce/overstretched HNB resources.
21. No single action alone will be sufficient to mitigate the existing deficit, but this will only be addressed through a combination of interventions. A longer term financial management plan to recover the deficit, using the ESFA recommended 'deficit management plan' template, has been developed that is consistent with the actions and objectives outlined in the Council's Accelerated Progress Plan and wider SEND Strategy.

Deficit Management Plan

- Background

22. Under Department for Education (DfE) guidance, as outlined in the DSG Conditions of Grant, any local authority with an overall deficit on its DSG account "must co-operate with the DfE in handling that situation". In particular, the authority must:
- provide information as and when requested by the department about its plans for managing its DSG account
 - provide information as and when requested by the department about pressures and potential savings on its high needs budget
 - meet with officials of the department as and when they request to discuss the authority's plans and financial situation
 - keep the schools forum regularly updated about the authority's DSG account and plans for handling it, including high needs pressures and potential savings

The Secretary of State reserves the right to impose more specific conditions of grant on individual local authorities that have an overall deficit on their DSG account, where they are not taking sufficient action to address the situation.

23. The DfE acknowledges the pressures which local systems are experiencing delivering SEND services and has brought forward two intervention programmes for those authorities with the largest deficits:

- Safety Valve; a programme of targeted support / 'bail out' agreements for those authorities (c 34 in total so far) with the greatest DSG deficits. These agreements will hold the local authorities to account for delivery of reforms to their high needs systems, so that they can function sustainably and therefore in the best interests of the CYP they serve. These local authorities will be expected to reach an in-year balance on their DSG as quickly as possible, and over time eliminate their deficits. The DfE have indicated that, if conditions are not met, then it "will not hesitate to withhold payments".
- Delivering Better Value (DBV) for SEND; a programme of support for local authorities to improve delivery of SEND services for CYP while ensuring services are sustainable. This optional programme is currently providing dedicated support and funding to 55 local authorities – chosen based on those with the greatest deficits as at 2020-21 (after those authorities that have already been invited to join the DfE's safety valve programme).

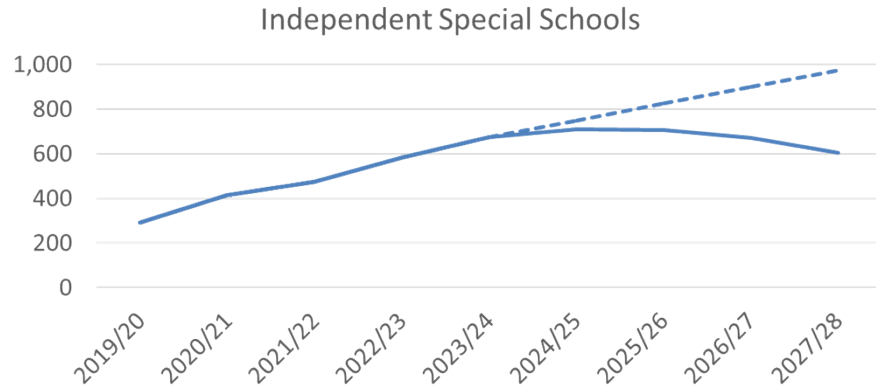
ESFA has confirmed that the programmes are available to those local authorities with the greatest DSG deficits and it is unlikely Staffordshire would be invited to join either programme.

- Key interventions

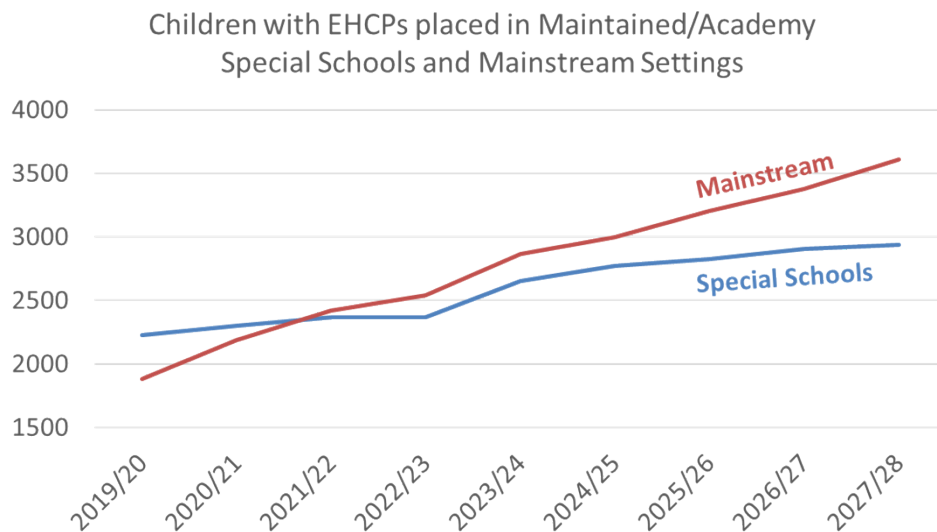
24. The DMP will mitigate – as far as possible - the funding gap which is expected to increase to c £40m by 27/28. This will require difficult decisions that impact on service delivery across all sectors including:

- a. fundamental to the strategy is the development over time of a more inclusive system where more of our children are educated and supported in our mainstream schools. By working with mainstream and special schools we will seek to provide the necessary support and capacity that will reduce the reliance on more expensive independent provision where this is not appropriate or necessary bringing the proportions of children educated within each part of the system in line with national proportions (target saving £18m by 2027/28).

As a result, it is anticipated that reliance on more expensive Independent provision will gradually reduce over the next few years:



However, over that same time, it will also require an increase in the number of children with EHCPs placed within our Maintained/Academy Special Schools and Mainstream settings:



- b. the Council will review existing policy, non-statutory provision and consider alternative delivery and funding options that could reduce the pressure on HNB (target saving c £4m by 2027/28)
- c. Transfer of 0.5% funding from the Schools Block to the High Needs Block (circa £3.2m in 24/25). This will be invested to fund the Council's transformation programme outlined above.

- Other

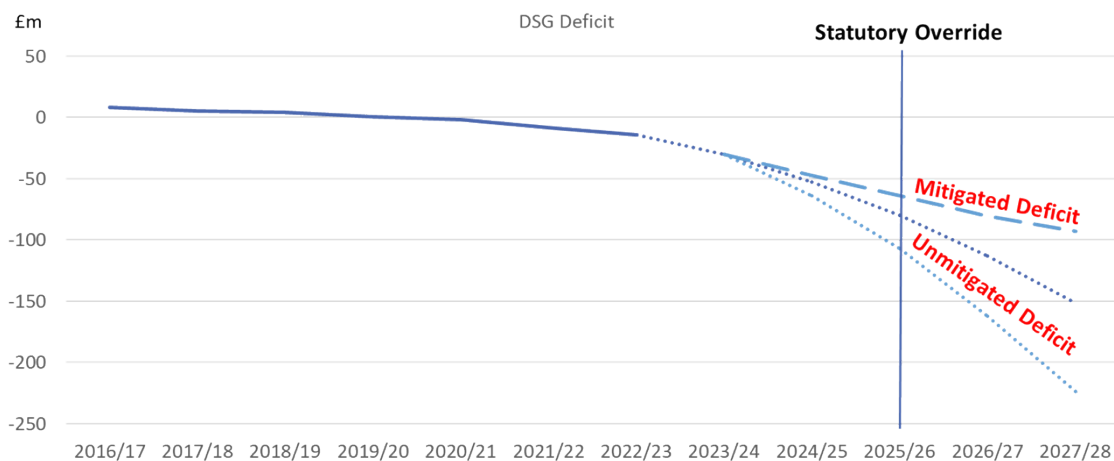
25. Schools Forum has agreed that the following other contributions should be earmarked for transfer to the Council's DSG reserve:

- surplus Growth Fund money (after amounts have been used to fund NFF shortfalls and contributions to schools for in year growth²). In 2023/24 this is estimated to be c £1.5m and a further £1m contribution is forecast for 24/25.

² In accordance with the Councils' Growth Fund Policy

- surplus unallocated funds, as part of the allocation of on going education functions (central schools services block). For 2023/24 this is estimated to be c £0.5m and for 2024/25 is c £0.3m (including both on going functions and historic commitments);

26. Whilst this will not address the accumulated deficit, it will limit the shortfall to between c £100m by 27/28 to be addressed over the longer term. Going forward the Council will seek further opportunities to make efficiencies and – with our partners across the sector (e.g. Society of County Treasurers (SCT), EMFOG, LGA, CCN and the F40) - will continue to lobby central government for funding increases which properly match the levels of need in Staffordshire.



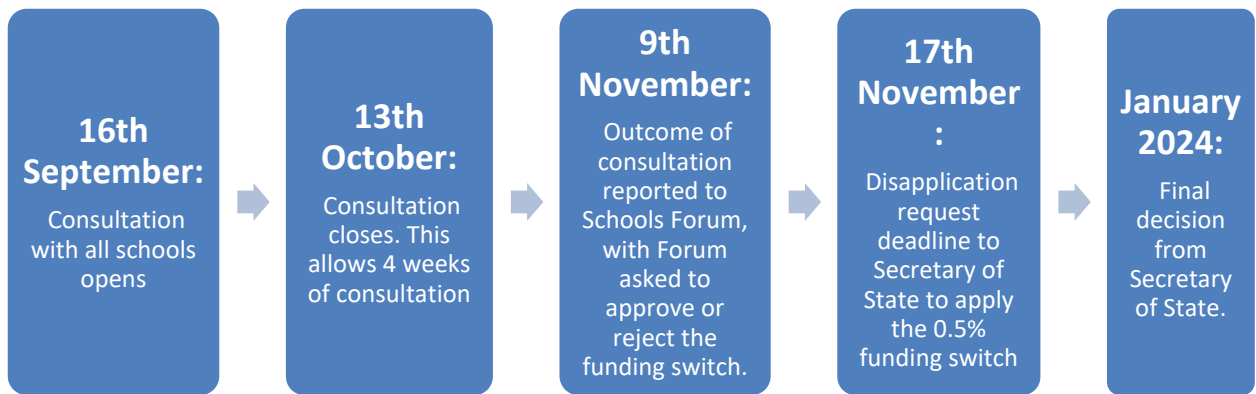
0.5% Funding Switch (Schools Block to High Needs Block)

27. Whilst our SEND programme is expected to reduce pressures in this area over time, this is unlikely to have a significant impact in the short term. Given the existing DSG deficit, it is essential that the Council takes action to mitigate as far as possible the increasing financial pressures in this area.

28. The Schools Operational Guide 2024/25 (Section 30) confirms that local authorities may transfer up to 0.5% of their schools block funding into another block, with the approval of their Schools Forum:

“The schools block is ring-fenced in 2024 to 2025 in line with the DSG conditions of grant, however local authorities can transfer up to and including 0.5% of their schools block funding into another block, with the approval of their schools forum.

29. In order to make a transfer of budget from the Schools Block to the HNB, the Council must consult with all local maintained schools and academies, so that the Schools Forum can take into account the views of all schools before deciding whether to approve or reject the funding switch.



30. The total amount that would be transferred would be determined by the 2024/25 allocations confirmed in December 2023. However, based on latest forecasts, it is expected that this would be in the region of £3.2m. Importantly, latest guidelines also require local authorities to set a Minimum Funding Guarantee of between +0% and +0.5% even after the funding switch has been applied.

School Consultation

31. At the meeting of the Schools Forum on 13 July 2023, members were notified of the proposal to enter into consultation with schools and academies on the 0.5% funding switch to HNB in 2024/25. The consultation (see Appendix 2) commenced on Friday 15 September and closed at 5pm on Friday 13 October 2023. This allowed four weeks for schools to respond.

The result of the consultation is as follows:

	Positive	Negative
Total responses received (38)	8	30

Further details and supporting commentaries are available at Appendix 3.

32. The view of schools is largely opposed to the transfer (see above) but on a low sample (response rate of only 10%). Further details and supporting commentaries are available at Appendix 3.

33. Given the existing deficit, and lack of available reserves to manage financial risk, it is appropriate that a transfer of 0.5% from the Schools Block to the HNB is made in 2024/25. This forms a key part of the Council's DMP.

We therefore request approval by Schools Forum to make the 0.5% switch

34. In previous years Schools Forum has recognised the significant pressure on the HNB but also want to take a position that DfE should be funding the increase in demand following the publication of the SEND code of practice. Therefore sending a clear message to the SoS. However this lobbying position has not had the desired effect and therefore the Council is asking Schools Forum to change their position as it is unlikely the DfE will consent to the switch without Schools Forum support.

35. In the event of Schools Forum refuse the switch then the Local Authority will make representation to the Secretary of State for the switch to take place (deadline for disapplication referrals is 17th November).

Equality Implications

36. The key groups affected by the proposals are CYP with special educational needs and disability (SEND) aged 0-25 in Staffordshire. The Council is committed to inclusive education for all CYP with SEND in our mainstream schools, enhanced resource schools and special schools.
37. The DSG DMP has been developed in order to improve outcomes for CYP and achieve financial sustainability. The proposals support the needs of CYP with SEND to be met earlier through evidence based interventions and aim to increase the number who access mainstream education- wherever possible within their local community - where appropriate with specialist support – and reduce our reliance on high cost placements in the non-maintained and independent sector.
38. There are considered no equality implications arising as a consequence of the proposals in this report.

Stakeholder Consultation

39. The Council's Accelerated Progress Plan and SEND Strategy has been developed/coproduced following consultation and engagement with representatives from across the education sector and, through the SEND & Inclusion Partnership Group, with parent and carers, elected Members and Health partners. The DMP is supportive and consistent with the actions and objectives outlined in the Council's Accelerated Progress Plan and SEND Strategy.
40. Going forward the DMP will be shared and monitored through the HNB Working Group and will be presented to each Schools Forum meeting as part of the routine HNB Update.

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Appendix 1 – Forecast Outturn 2023/24 (as at Quarter 2)

2023-2024 HIGH NEEDS BUDGET (Quarter 2)	Latest Budget	Forecast Outturn	Over/(Under) spend
	£m	£m	£m
Planned Places	35.0	35.0	0.0
Top Up Budgets	44.3	55.2	10.9
Staffordshire Special Schools and Academies	21.7	26.8	5.1
Staffordshire Mainstream Schools	17.9	22.3	4.4
Pupils in other LA Special & Mainstream Schools & Academies	2.3	3.3	1.0
Pupil Referral Units	2.4	2.8	0.4
Non Top Up Budgets	47.7	56.7	9.0
Independent Schools Mainstream	2.3	3.3	1.0
Independent Schools Special	27.1	34.0	7.0
Independent Hospital Fees	0.2	0.3	0.1
Early Years PVI's	0.4	0.7	0.3
Alternative provision (inc Hubs)	3.2	3.7	0.5
Education Other Than At School (EOTAS)	0.6	0.6	0.0
SEN Support Services	8.5	8.1	(0.4)
Post-16 FE Placements & Top-ups for ISPs	5.5	6.1	0.6
GRAND TOTAL	127.0	146.9	19.9
Funding	(127.0)	(126.9)	0.1
High Needs Allocation from Government	(127.0)	(126.9)	0.1
Transfers from other Blocks	0.0	0.0	0.0
NET FORECAST OUTTURN	0.0	20.0	20.0

Appendix 2: Consultation on the transfer of funding from the Schools Block to the High Needs Block 2024/25

The local authority will be making a request to Schools Forum in November for agreement to transfer 0.5% of the Schools Block to the High Needs Block. This is the amount specified by the DfE within the Schools Operational Guide 2024/25 (Section 30):

“The schools block is ring-fenced in 2024 to 2025 in line with the DSG conditions of grant, however local authorities can transfer up to and including 0.5% of their schools block funding into another block, with the approval of their schools forum. Without schools forum agreement, or where they wish to transfer more than 0.5% of their schools block funding into one or more other blocks, local authorities must submit a disapplication request to the Secretary of State.

If local authorities wish to transfer any funding out of the schools block in 2024 to 2025, the department expects to see evidence of recent schools forum discussion and the schools forum vote. This includes cases where schools forums have already agreed DSG recovery/management plans that assume future year transfers.”

In order to make a transfer from the Schools Block to the High Needs Block, local authorities should consult with all local maintained schools and academies, and the Schools Forum should take into account the views of the schools responding before making their decision.

The consultation will commence on 15 September and will close 5pm on 13 October 2023. This allows 4 weeks for schools to respond.

The reasons for this request to be made are as follows:

2. Funding transfers from the Schools Block to the High Needs Block have been permitted for a number of years and is the mechanism the majority of local authorities have followed in order to provide for increasing demands for support of pupils with special educational needs and disabilities. In 2019/20 Staffordshire County Council elected to make use of this power, authorised by the Secretary of State, for the transfer of circa £2.4m (0.5%). However, no further transfers have been made since that time.

In the Schools Operational Guide recently published, the Government has confirmed that this mechanism will again be available in 2024/25.

3. In Staffordshire, over the last few years the movements between blocks have been:

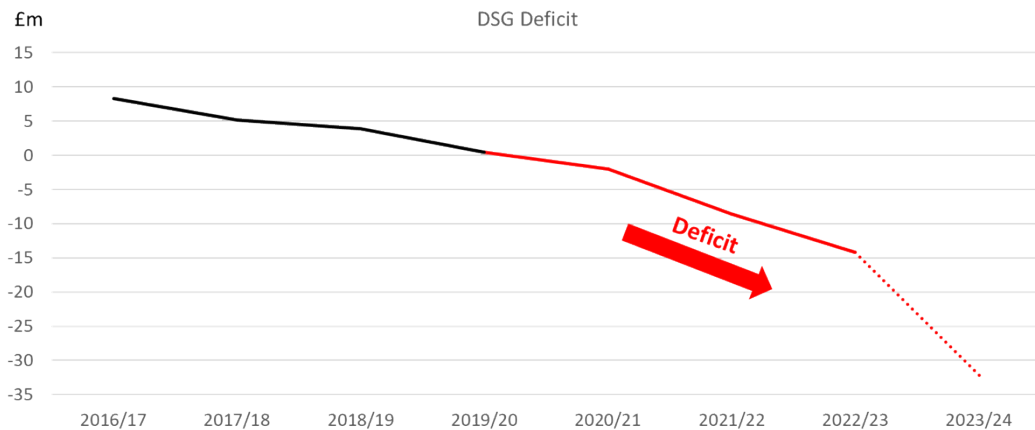
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m	£m
Schools	0.8	-1.6	0.6	1.1	0.7	0.0
Early Years						
High Needs		2.4				
Central	-0.8	-0.8	-0.6	-1.1	-0.7	0.0

In addition, Dedicated Schools Grant reserves have been utilised to support high needs expenditure as per the table below:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m (forecast)
Contribution to High Needs	5.1	3.6	5.9	8.2	9.1	20.0

This has led to the level of reserves reducing from c£8m at 1 April 2017, to £14.2m **in deficit** as at 1 April 2023. Pressure on the reserves has been alleviated by underspends in other areas, otherwise the existing deficit would be significantly greater.

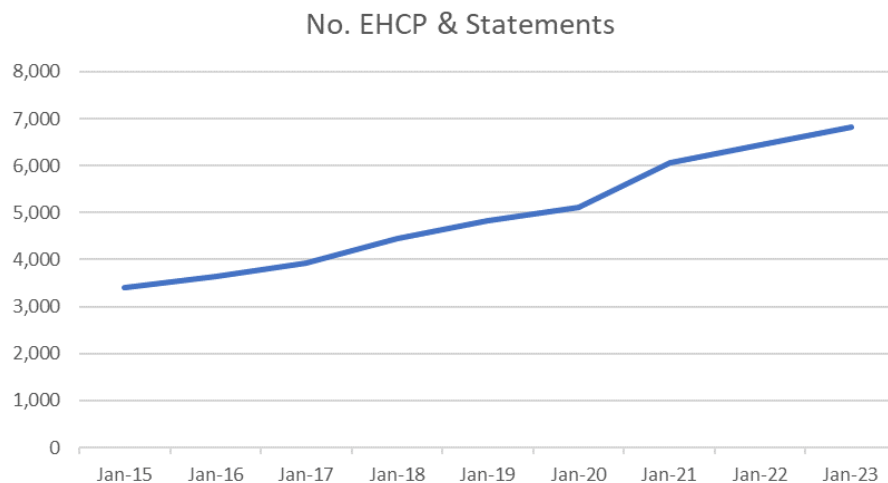
However, given the latest forecast overspend in High Needs for 2023/24 of £20m, it is expected that the DSG reserve will be over £30m in deficit at the end of the current financial year:



4. The pressures that led to these movements have been:

i. Numbers of children with SEND

There has been a significant increase in the number of children with SEND including the extension of support to young people up to the age of 25. This has resulted in the demand for both post 16 and post 19 provision rising considerably.



- ii. **Complexity of need**
The needs of children with special educational needs and/or disabilities are becoming more complex and this is driving increased financial pressures across the system. There is increased demand for specialist educational provision to meet need, particularly in relation to Autism Spectrum Condition (ASC) and Social, Emotional & Mental Health (SEMH), and this is resulting in increased specialist placements with independent providers, some of which are located outside of the local area.
- iii. **Inclusiveness of the system**
Mainstream schools report the increasing complexity of children's needs which is driving up the demand for more specialist education services. Many schools are facing financial pressures and do not feel they have the capacity to provide additional support to students.

We recognise that schools have pressures and difficulties in managing the support that pupils with high needs may present. The county council's SEND & Inclusion district model is working to deal with this by providing support and managing processes in a different way, but still recognising the funding constraints that schools and the local authority will need to deal with. In conjunction with this the local authority will be reviewing its own processes and procedures to ensure the optimum support continues to be given to schools.

- iv. **The SEND reforms**
As well as the extension of support to cover children and young people aged 0-25, the reforms have raised the expectations of children, young people and their families. There is an expectation that young people will stay in education until they reach 25. Parental requests for specific high cost placements and tribunal decisions to support parental preference are further driving demands on the high needs block.

Over the previous five years, the number of pupils with EHCPs in Staffordshire has been increasing and has grown rapidly in recent years. In the 2023 SEN2 Census, there was a total of 6,830 EHCPs compared to 4,456 in 2018; an increase of over 50% in five years.

Budgetary pressures because of the SEND pressures

- 5. As with many other local authorities, Staffordshire is faced with a significant year on year overspend on the High Needs Block (HNB).

The Minimum Funding Guarantee continues to apply to special schools; for 2024/25 this has been set at between 0% and 0.5% (see High Needs Operational Guide 24/25) and means that school core funding levels next year (planned place plus top up elements) must increase by between 0% and 0.5% based on the same pupil numbers and profile of needs.

The increased demand for places within specialist provision through parental requests and SEND Tribunal decisions has resulted in an increase in pupils being placed in the independent specialist school sector. Over the last three years the number of children in this school population has doubled, with an average cost of approximately £60,000 per placement per annum. A contributing factor to this growth is SEND tribunal rulings which require the local authority to place children at these schools. The cost of an independent specialist placement can cost in excess of c £0.2m per pupil per annum and the overall cost in 2022/23 was £27.5m; up from £10m in 2018/19 and equivalent to a rise of more than 175% in just 4 years.

Schools report that, because of pressures on their budgets, due to a range of cost increases, including those for staffing, they find these pressures create difficulties in maintaining the notional SEND budget requirements. This is leading to a greater proportion of requests for EHC needs assessments.

6. This has led to the following changes in demand for special provision

Academic Year	Requests for EHC Assessments	EHC Assessments completed		Year	Total Number of EHCP & Statements
14/15	609	321		Jan 15	3,400
15/16	889	562		Jan 16	3,631
16/17	1,052	620		Jan 17	3,933
17/18	1,125	694		Jan 18	4,456
18/19	1,320	899		Jan 19	4,835
19/20	1,243	1,155*		Jan 20	5,117
20/21	1,244	688		Jan 21	6,056
21/22	1,622	724		Jan 22	6,437
22/23	1,960	907		Jan 23	6,830

* reflects additional assessments completed as a result of the backlog

Update on placement of pupils with EHCPs

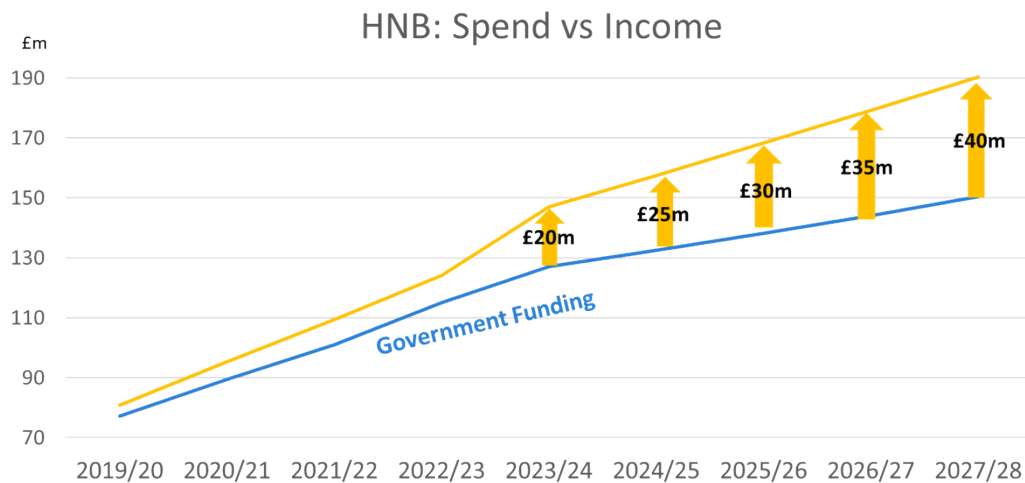
7. There were 6,830 young people in Staffordshire for whom the authority maintained an EHC plan at January 2023. The majority of these pupils were placed in special schools (maintained, academy and independent).

28% of young people aged 0-25 with EHC plans attend a state funded mainstream schools; this is notably below the national average of 38%. Of Staffordshire's statistical neighbours only Nottinghamshire has a lower percentage. At the same time 47% of young people with EHC plans are taught in special schools, compared to 35% nationally.

Staffordshire has the 2nd highest percentage of young people attending a special schools in comparison to statistical neighbours (with an average of 38%). The remaining young people are in further education or other specialist provision.

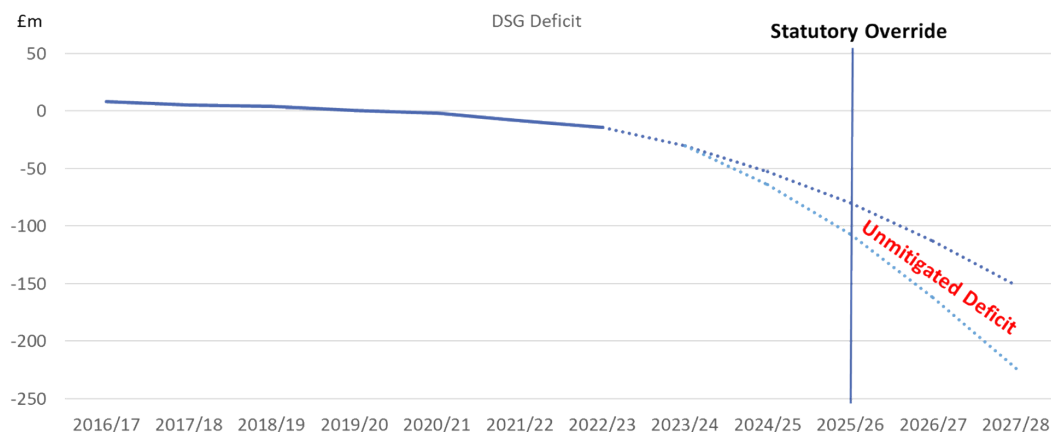
Financial Forecast

8. The latest financial forecast is that, in 2023/24, there will be an overspend of c £20m (there was no transfer from schools block this year). It is estimated that Staffordshire will receive c £132.5m HNB funding next year, around £5.5m extra compared to 2023/24 (c 4%). This is significantly below expected rises in demand and costs and – assuming similar funding rises going forward in line with Government forecasts - it is likely that going forward the current funding gap will continue to increase:



9. Staffordshire County Council is not alone in this difficult financial predicament – this is a position shared by the majority of Councils across the sector. The Government has put in place a 'statutory override' requiring that, up to 2025/26, accumulated DSG deficits should remain ringfenced separate to the Council's other reserves; it is unclear at this time how the Government will expect Local Authorities to manage accumulated deficits after that time.

10. This represents a significant financial risk to Staffordshire; given the forecast annual overspend outlined above, then we would expect the deficit to increase over the next 5 years and, by end of 27/28 to be c £150m - £225m in deficit:



SEND Strategy

11. The local authority has a strategic plan on how, over time, it intends to bring the High Needs Block to sustainable levels:

Developing Targeted Support

- The local authority is supporting the SEND & Inclusion district model which has created collaborative working between themselves and schools. As part of this project the LA, schools and other stakeholders, have established a locality based model - at a District level - enabling early intervention for the benefit of pupils who are identified as being in need.
- A further development of the Enhanced Assess-Plan-Do-Review (EAPDR) Pathway has been co-produced with schools, education settings, Parent Carer Forum, Health, Social Care and Educational professionals in order to support schools and educational settings with capacity to meet a child or young person's SEND needs by accessing the right support, in the right place, at the right time.

Collaborative Working

- The LA is working closely with independent providers, both existing and new, to identify cost effective provision for high needs placements that offers value for money and ensures good outcomes for pupils with SEND.
- Using the DfE SEND capital funding to create additional provision in Staffordshire special schools based on a detailed analysis of need, specifically in relation to social emotional mental health needs (SEMH) and Autism.
- A pre-statutory Staffordshire Enhanced District Inclusion Support Model (SEDIS) accessed via an Enhanced Assess-Plan-Do Review Pathway to provide mainstream educational settings with the resources and support to deliver the graduated response.

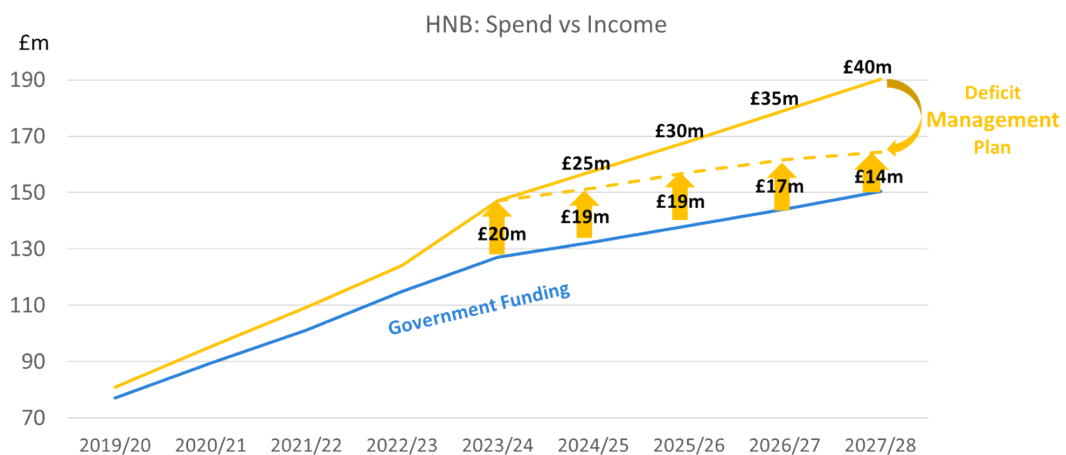
Partner Contributions

- The Council will continue to ensure a fair contribution is made from health and social care partners towards the cost of specialist places and provision where appropriate.

Deficit Management Plan

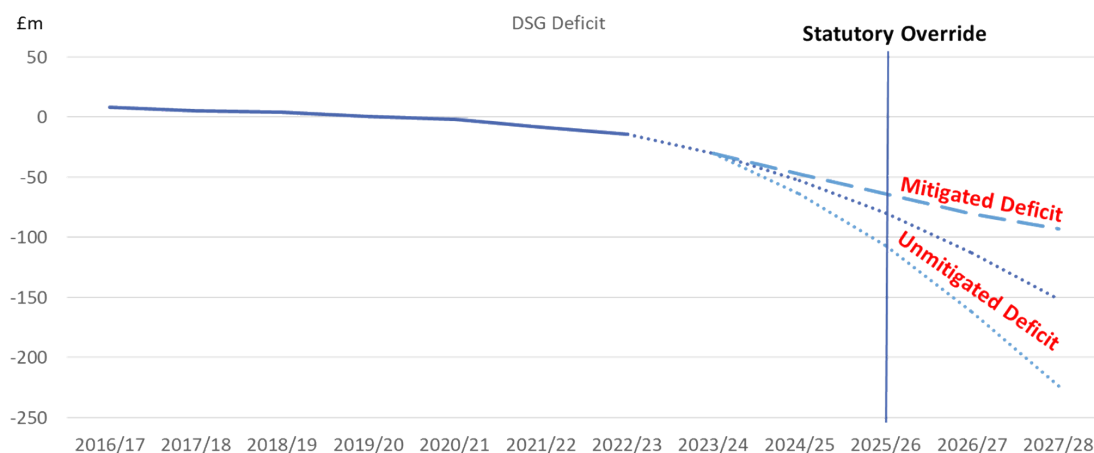
12. Given the extent of the annual HNB overspend, and accumulated DSG deficit, the Council is required to maintain a 'deficit management plan'. This is not only a requirement under the 'DSG: Conditions of Grant' but represents prudent financial management. We acknowledge activity detailed within the plan will take time; there is no quick fix, but the strategy is to first to address the annual overspend and then over a longer period to address the accumulated deficit.

13. The deficit management plan will mitigate – as far as possible - the funding gap which is expected to increase to c £40m by 27/28. This will require difficult decisions that impact on service delivery across all sectors including:
- fundamental to the strategy – and proposed deficit management plan – is the development over time of a more inclusive system where more of our children are educated and supported in our mainstream schools. By working with mainstream and special schools we will seek to provide the necessary support and capacity that will reduce the reliance on more expensive independent provision where this is not appropriate or necessary bringing the proportions of children educated within each part of the system in line with national proportions (target saving £18m by 2027/28).
 - the Council will review existing policy, non-statutory provision and consider alternative delivery and funding options that could reduce the pressure on HNB (target saving c £4m by 2027/28)
 - the Council has put in place significant additional investment of c £3m to support a locality based model - at a District level - enabling early intervention for the benefit of pupils who are identified as being in need. This is essential to enable the long term changes outlined above but is an additional pressure on existing scarce/overstretched HNB resources.
 - Despite the above actions and projected savings, this does not address the HNB overspend and bring it into balance. As a result, it is anticipated that, as part of the deficit management plan, the Council will request – annually – a 0.5% transfer from schools block to high needs block until such time that required strategic and cultural changes have impacted and a more sustainable model has been realised.



The above represents a difficult challenge and there is a significant risk that some of the savings will not be delivered in full; however – and even if the target savings are brought to fruition – then we would still anticipate a significant year in year overspend and the accumulated DSG deficit will continue to deepen albeit at a slower rate. It is essential the Council continues to lobby Government

to ensure there is a sustainable funding model going forward that recognises the continuing increase in demand:



Assessing the likelihood of a further request in 2025/26

14. As much of the HNB funding is committed to pupils and students in the system, the only opportunity of recovery is when the young person leaves the statutory system or there are reductions in costs as a result of a review. Therefore, recovery has to be phased over a number of years.
15. Whilst the Government has provided for significant additional funding over recent years, this has failed to keep pace with the growing demand and complexity of need. Going forward there is a significant risk that annual rises in Government funding will slow down and that the funding gap will widen further.
16. The continuing implementation of the SEND strategy is expected to reduce pressures in this area over time, however this is unlikely to have a significant impact in the short term. Given the level of uncertainty, and existing deficit position that is likely to further increase over the coming years, the 0.5% funding transfer from schools block to high needs block forms a key part of the Council's deficit management plan and it is therefore likely that there will be need for a request of a further switch in the following year and going forward (subject to Government permissions).

Impact on Individual school budgets

17. The total amount that would be top sliced would be determined by the 2024/25 allocations confirmed in December 2023. Based on latest forecasts, it is expected that this would be in the region of £3.2m.
18. The Schools Operational Guide 24/25 requires local authorities to set a Minimum Funding Guarantee of between +0% and +0.5%. This means on a per pupil basis, the schools' individual budgets will increase by at least 0% - 0.5% even with this funding switch.

Consultation

19. In order to make a transfer from the Schools Block to the High Needs Block, it is a statutory requirement that local authorities consult with all local mainstream schools and academies and that the Schools Forum should take into account the views of the consultation response before giving their approval. The survey will only take a few minutes to complete and is available here:

<https://forms.office.com/e/vk3JEBVZnn>

- **This survey is for mainstream schools only (Maintained and Academy) – please complete only one response per school**
 - The survey will be open until 5pm 13 October 2023

Appendix 3: High Needs Block 0.5% Transfer Consultation Results

Do you agree with the Local Authority's proposal to transfer 0.5% (estimated to be in the region of £3.2m) from the Schools Block to the High Needs Block to support the financial pressures being experienced in supporting pupils with high needs?

Phase	Yes	No
First	0	5
Primary	4	8
Middle	0	3
High	0	1
Secondary	4	13
Total	8	30
Percentage of responses	21%	79%

The response rate for the consultation was very low at 10.2% (38 schools responded out of 373).

Key themes from the supporting comments:

Agreeing with the proposal

- An absolute necessity to support the most vulnerable.
- These pupils deserve the extra funding.
- High needs has exploded. Something needs to be done.
- Much needed.

Disagreeing with the proposal

- Schools cannot afford for this funding to be taken out of their budgets.
- Schools are facing the real prospect of deficit budgets due to factors outside their control. Schools need to receive the maximum funding to which they are entitled.
- Taking money from one area to mitigate problems in another only masks the overall funding issue in the education sector. We need to make the problem obvious to government.
- I cannot see any hope that taking money from schools would do anything other than pass the deficit onto individual schools. Possibly the LA need to consider having some LA run special schools to cut the cost of private funding.
- Pressures in mainstream schools with regards to children with SEND mean we need an increase in our budget not have monies removed from us.
- Schools are underfunded enough. The government needs a spending review that is robust and plans for the number of pupils who are now requiring additional needs.