

Schools Forum – 8th November 2021

High Needs Block update

Executive Summary:

- The forecast outturn for the 2021/22 High Needs Block is £7.5m overspend.
- At the end of the last financial year the DSG reserve went into deficit by c £2m and will deepen given the expected overspend in 2021/22.
- Significant additional Government funding next year will see Staffordshire's High Needs Budget increase to £110m (c 9%). However this is insufficient to close the gap and it is likely that a further overspend will arise in 2022/23.
- The transformation and implementation of the revised SEND operating model, supported by the new SEND strategy, is expected to provide a more sustainable model. However this will take time to impact.
- A 'deficit recovery' was previously approved by Schools Forum earmarking surplus Growth Fund money to contribute to the DSG reserve; it was agreed this should be reviewed annually and further action taken if necessary
- Given the continuing SEND demand, and growing deficit, schools forum are being asked to approve the transfer of 0.5% funding from schools block for high needs in 2022/23.

Recommendations:

That Schools Forum notes:

1. the High Needs Block budget 2021/22 and latest forecast outturn
2. the latest budget assumptions 2022/23 and going forward
3. Notes the outcomes of the Council's consultation with schools regarding the 0.5% funding switch in 2022/23.
4. That Schools' Forum agrees to the 0.5% transfer from Schools' Block of the DSG to the High Needs Block (HNB) in 2022/23.

Report of Deputy Chief Executive and Director for Families and Communities

Background

5. 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,

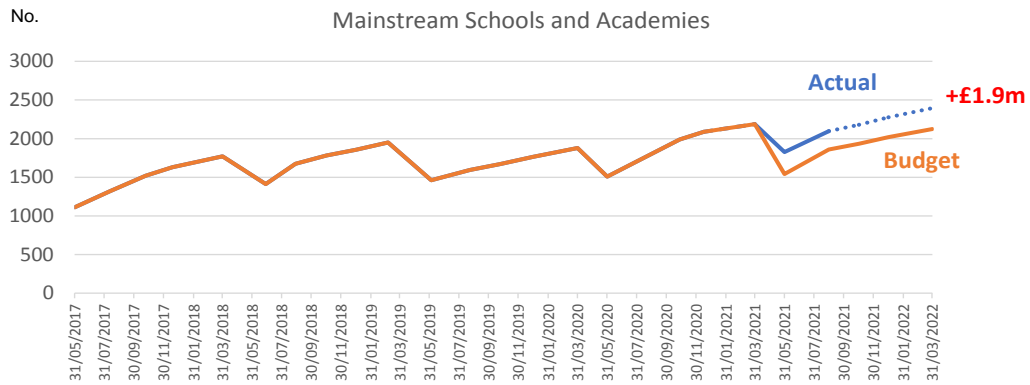
- Increase in independent placements and costs,
- Increase in Matrix funding for special schools,
- The funding of increased numbers of pupils educated 'other than at school'.

- Budget 2021/22 and Forecast

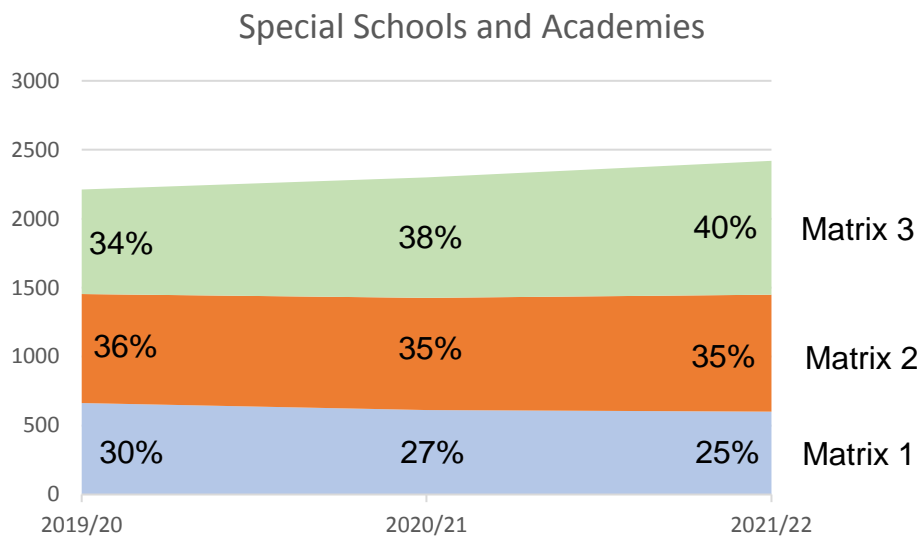
6. For Staffordshire the High Needs budget 2021/22 is £101.0m; an increase of £11.6m compared with 2020/21 (13%). There has been no transfer of funding from the Schools Block this year to supplement the SEND budget.
7. Whilst the additional Government funding is recognised, rises will only keep pace with rises in cost / demand and this is insufficient to close the gap. Last year was severely impacted by the development and resolution of the backlog in EHCP assessments and we are now only this year seeing the full year impact of those additional EHCPs – accordingly the forecast overspend this year is circa £7.5m (a more detailed overview of the High Needs Block budget is provided within Appendix 1):

High Needs Budget	Budget 21/22 £m	Outturn £m	Over / (Under) spend £m
Planned Places	32.0	32.0	0.0
Top Up Budgets	35.9	39.8	3.9
<u>Non Top Up Budgets</u>			
Independent Schools (Mainstream & Special)	18.2	23.0	4.8
Alternative provision (inc Hubs)	3.4	2.5	(0.9)
Post 16	4.4	4.0	(0.4)
Other	7.1	6.9	(0.2)
Total Net Spend	101.0	108.2	7.2
Total Funding	(101.0)	(100.7)	0.3
Net Outturn	0.0	7.5	7.5

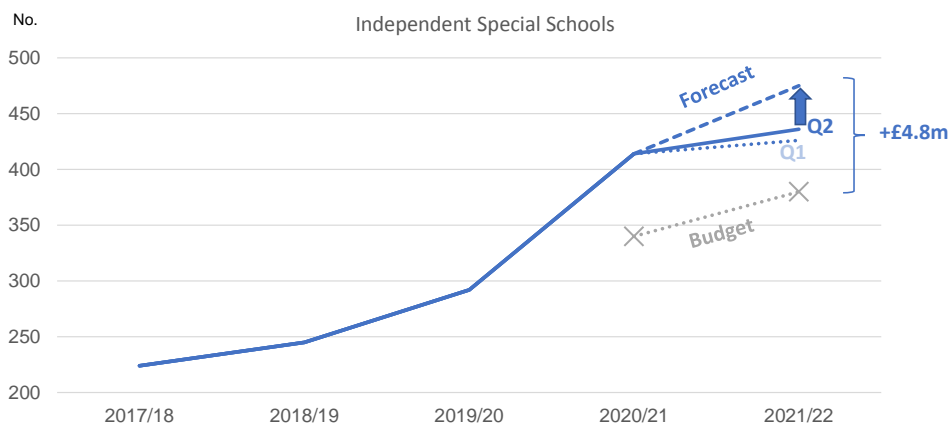
8. Key variances arising
- i. An overspend of c £3.9m against the school 'top up' budgets including:
- a rise in the number of children with EHCP/AEN support in Mainstream Schools and Academies leading to a £1.9m overspend:



- An overspend of £2.3m in special schools and academies, arising as a result of both an increase in demand and a rise in the proportion of children with higher needs.



ii. An overspend of c £4.8m in Independent Special Schools

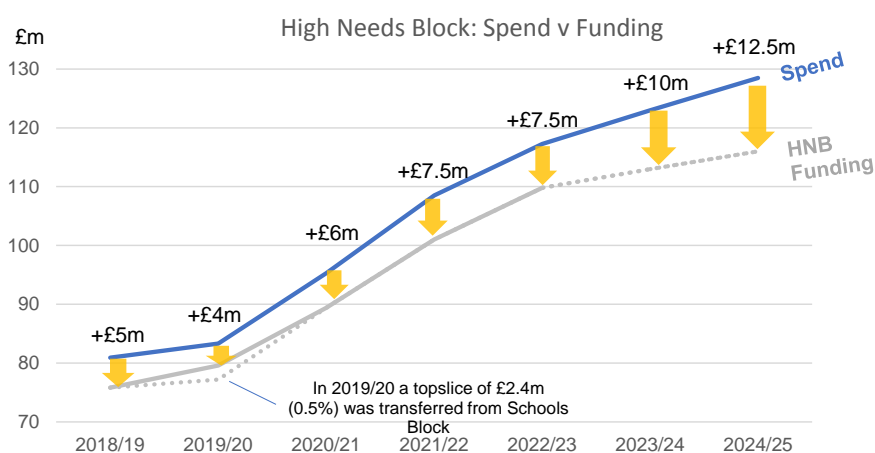


- Budget 2022/23 and Going Forward

9. At the last Spending review the government reaffirmed their commitment to increase the schools' budget by £7.1 billion by 2022-23, compared to 2019-20 funding levels. The Government has delivered the commitment and in 2022/23 – the last year of the Government's three year pledge – High Needs funding will increase by a further £780m (9.6%). This is in addition to over £1.5 billion increase over the last two years.
10. In 2022/23, based on initial estimates, Staffordshire's high needs budget next year will increase to c £110m (an increase of 9% compared to 2021/22).

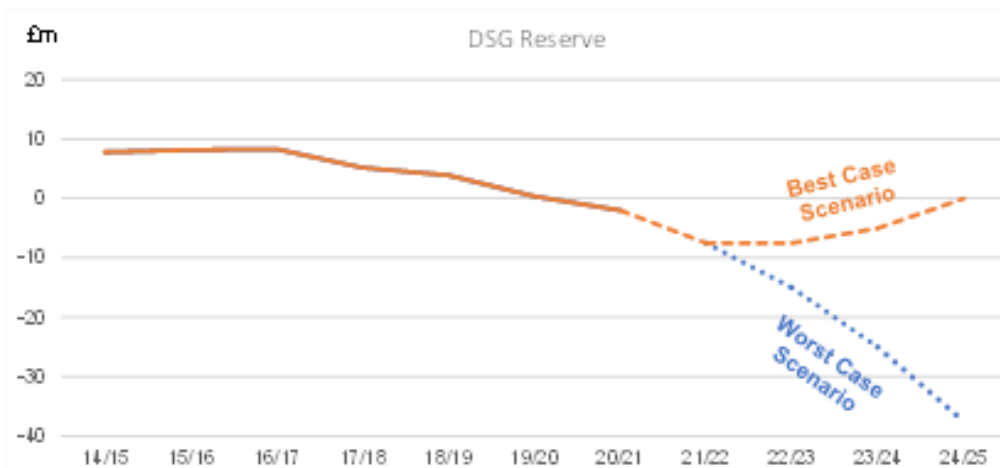
It is unrealistic to assume Government funding will continue to increase in line with recent years and the assumption is that, going forward, the High Needs Block will increase annually in line with inflation (cash flat in real terms).

11. Whilst the additional Government funding is recognised, increases in recent years have been passed on in full for the provision of SEND support; none has been used to repay historical deficits. As such rises have only kept pace with rises in cost and demand and have been insufficient to 'close the gap'. Indeed it is anticipated that a further significant overspend will arise next year and – left unaddressed – will continue going forward and likely increase annually:



- DSG Reserve and Recovery Plan

12. 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 went into deficit by c £2m. Given the latest forecast overspend 2021/22 that deficit is likely to increase this year and going forward until such time that the SEND transformation plan can impact.
13. This is key risk faced by the Council and is being monitored closely as part of its corporate finance and performance reporting and risk register. Staffordshire County Council is not alone in this difficult financial predicament – this is a position shared by the majority of Councils across the sector.



14. Schools Forum has previously agreed¹ a deficit recovery plan earmarking surplus Growth Fund money (after amounts have been used to fund NFF shortfalls and contributions to schools for in year growth²) for transfer to the Council's DSG reserve. In 2021/22 this is estimated to be c £1.5m but given the worsening financial position outlined above it is clear that further action is required.
15. The Council is restricted from applying its general resources to help support the High Needs Block. It is unlikely that any single action alone will be sufficient to mitigate the existing deficit, but this will only be addressed through a combination of interventions:
- i. Delivery of the existing SEND transformation plan
 - ii. Continued retention of surplus Growth Fund money (while this remains an option)
 - iii. Transfer of funding from the Schools Blocks (0.5%)
 - iv. Lobbying Government for additional funding
- 0.5% Funding Switch (Schools Block to High Needs Block)
16. Whilst SEND Transformation 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 (indeed required) that the Council takes action to mitigate as far as possible the increasing financial pressures in this area.
17. The Schools revenue funding 2022 to 2023 Operational guide, issued in July 2021 by the Education & Skills Funding Agency (ESFA), confirmed 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 2022 to 2023, however local authorities are able to transfer up to 0.5% of their schools block funding into another block, with the approval of their schools forum....Local authorities wishing to make a transfer should also consult local maintained schools and academies, and the

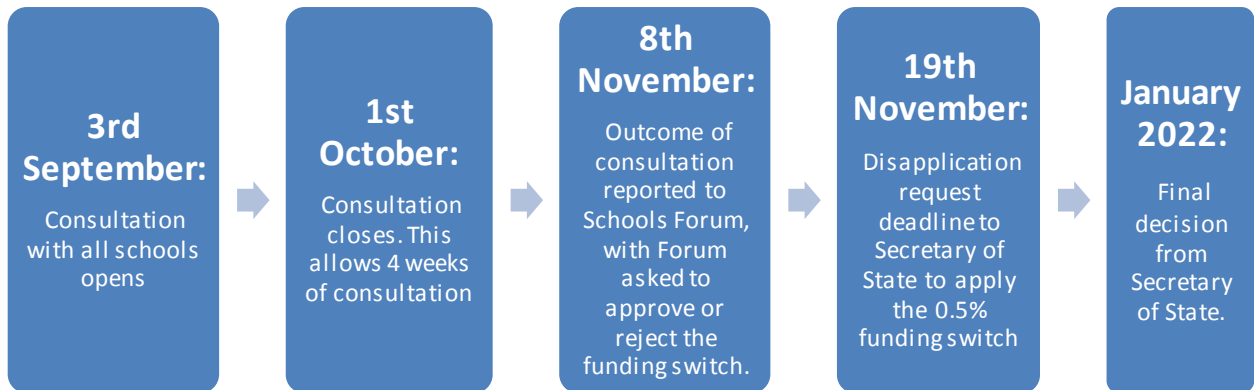
¹ Schools Forum 15th October 2020

² In accordance with the Councils' Growth Fund Policy

schools forum should take these views into account before making their decision.”

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003631/Schools_revenue_funding_2022_to_2023.pdf

18. In order to make a transfer of budget from the Schools Block to the High Needs Block, 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.



19. The total amount that would be top sliced would be determined by the 2022/23 allocations confirmed in December 2021. However, based on latest forecasts, it is expected that this would be in the region of £2.8m. Importantly, latest guidelines also require local authorities to set a Minimum Funding Guarantee of between +0.5% and +2%. This means, on a per pupil basis, next year the schools’ individual budgets will increase by at least 0.5% even after this funding switch has been applied.

School Consultation

20. At the meeting of the schools forum on 15 July 2021, members were notified of the proposal to enter into consultation with schools and academies on the 0.5% funding switch to HNB in 2022/23. The consultation (see Appendix 2) commenced on Friday 3 September and closed at 5pm on Friday 1 October 2021. This allowed four weeks for schools to respond³.

The result of the consultation is as follows:

	Positive	Negative
Total responses received	6	33

Further details and supporting commentaries are available at Appendix 3.

21. The view of schools is largely opposed to the transfer (see above) but on a disappointingly low sample (response rate of only 10.5%).

³ Due to the poor initial response rate (only 9 out of 370 schools) the consultation was subsequently reopened for a further week 15th – 22nd October

22. 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 High Needs Block is made in 2022/23. This will form a key part of the Council's deficit recovery plan.

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

23. In the event of Schools Forum being against the switch then the Local Authority are entitled to make representation to the Secretary of State for the switch to take place (deadline for disapplication referrals is 19th November).

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Appendix 1 – Forecast Outturn 2021/22 (as at Quarter 2)

2021-2022 HIGH NEEDS BUDGET (as at Quarter 2)	Latest Budget	Forecast Outturn	Over/(Under) spend
	£m	£m	£m
Planned Places	32.0	32.0	0.0
Top Up Budgets	35.9	39.8	3.9
Staffordshire Special Schools and Academies	17.7	20.0	2.3
Staffordshire Mainstream Schools	13.1	15.0	1.9
Pupils in other LA Special & Mainstream Schools & Academies	2.1	2.0	(0.1)
Pupil Referral Units	3.0	2.8	(0.2)
Non Top Up Budgets	33.1	36.4	3.3
Independent Schools Mainstream	1.5	1.5	0.0
Independent Schools Special	16.7	21.5	4.8
Independent Hospital Fees	0.2	0.2	0.0
Early Years PVIs	0.1	0.1	0.0
Alternative provision (inc Hubs)	3.0	2.0	(1.0)
Education Other Than At School (EOTAS)	0.4	0.5	0.1
SEN Support Services	6.8	6.6	(0.2)
Post-16 FE Placements & Top-ups for ISPs	4.4	4.0	(0.4)
GRAND TOTAL	101.0	108.2	7.2
Funding	(101.0)	(100.7)	0.3
High Needs Allocation from Government	(101.0)	(100.7)	0.3
Transfers from other Blocks	0.0	0.0	0.0
NET FORECAST OUTTURN	0.0	7.5	7.5

Appendix 2: Consultation on the transfer of funding from the Schools Block to the High Needs Block 2022/23

The local authority will be making a request to Schools Forum in October 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 Revenue Funding Operational Guide 2022/23. Under paragraph 280 of the document, 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 3 September and will close 5pm on 1 October 2021. This allows 4 weeks for schools to respond.

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

1. 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 Revenue Funding Operational Guide recently published, the Government has confirmed that this mechanism will again be available in 2022/23.

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

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Schools	0.8	(1.6)	0.6	1.1
Early Years				
High Needs		2.4		
Central	(0.8)	(0.8)	(0.6)	(1.1)

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 (forecast)
Contribution to High Needs	5.1	3.6	5.9	7.5

This has led to the level of reserves reducing from £5.2m at 1 April 2018 to £2m **in deficit** as at 1 April 2021. 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 2021/22 of £7.5m, it is expected that the DSG reserve will be £7.5m in deficit at the end of the current financial year (see below).

3. 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 due to 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 a shortage of local 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 transformation programme is working to deal with this by 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 2021 SEN2 Census, there was a total of 6,056 EHCPs compared to 3,341 in 2014; an increase of 81% in seven years. The population has increased by 939 pupils (18%) compared to last year.

Budgetary pressures because of the SEND pressures

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

The Minimum Funding Guarantee continues to apply to special schools (set at 0% for 2022/23) and prevents the school core funding levels (place plus top up elements) from reducing 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 there has been an increase of around 85% in this school population, with an average cost of approximately £50,000 per placement per annum. A contributing factor to this growth is SEND tribunal rulings which are placing children at these schools. The cost of an independent specialist placement can cost up to circa £0.2m per pupil per annum and the overall cost in 2020/21 was £16.7m; up from £8m in 2017/18 and equivalent to a rise of more than 100% in just 3 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.

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

Academic Year	Requests for EHC Assessments	EHC Assessments completed
14/15	609	321
15/16	889	562
16/17	1,052	620
17/18	1,125	694
18/19	1,320	899
19/20	1,243	1,155*
20/21	1,244	688

* reflects additional assessments completed as a result of the backlog

Year	Total Number of EHCP & Statements
Jan 15	3,400
Jan 16	3,631
Jan 17	3,933
Jan 18	4,456
Jan 19	4,835
Jan 20	5,117
Jan 21	6,056

Update on placement of pupils with EHCPs

- There were 6,056 young people in Staffordshire for whom the authority maintained an EHC plan at January 2021. The majority of these pupils were placed in special schools (maintained and independent).

29.6% of young people aged 0-25 with EHC plans were placed in mainstream schools; this is notably below the national average of 39.9%, and of Staffordshire's statistical neighbours only Nottingham had a lower percentage. At the same time 47.3% of young people with EHC plans are taught in special schools, compared to 35.8% nationally.

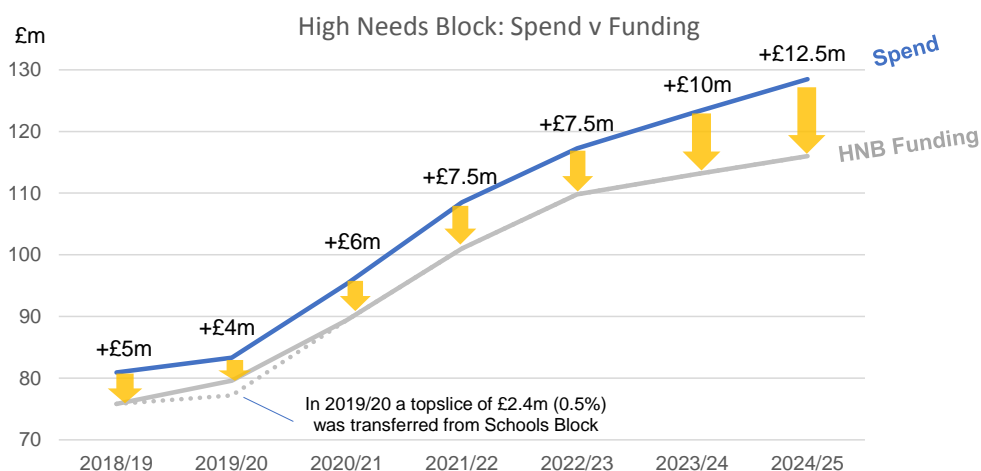
Staffordshire has the 3rd highest percentage of young people placed in special schools in comparison to statistical neighbours. The remainder attend colleges or other specialist provision.

Financial Forecast

- The latest financial forecast is that, in 2021/22, there will be an overspend of c £7.5m (there was no transfer from schools block this year). This overspend will be charged against the DSG reserve which, at the end of 2020/21, was already c £2m in deficit. 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 Council, along with other councils across the sector, has been lobbying Government for additional funding in this vital area which, for several years, has been significantly under resourced. Positively the Government has recognised those pressures and has confirmed additional funding for High Needs Block in 2022/23 of circa £780m.

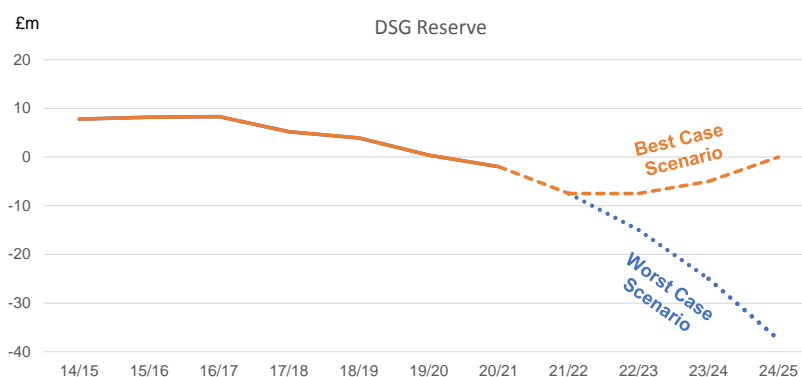
It is estimated that Staffordshire will receive c £110m HNB funding next year, around £9m extra compared to 2021/22. However this is insufficient and it is likely that going forward service demand and cost will continue to outpace future funding levels:



It is essential the Council continues to lobby Government to ensure i) that the extra money recently announced remains in place, and ii) there is a sustainable

funding model going forward that recognises the continuing increase in demand.

This is especially relevant given the level of reserves which, after years of underfunding, have now gone into deficit and no longer provide for any adequate financial resilience/assurance. Accordingly the Council must now take action and put in place a deficit recovery plan to manage this very significant financial risk:



SEND Transformation

8. The local authority has a strategic plan on how it intends to bring the High Needs Block to sustainable levels.

Developing Targeted Support

- The Local Authority is supporting a transformation project to create 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.

Collaborative Working

- The local authority 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:
 - Develop Resource Bases at Mainstream Schools for children EHCPs and SEN Support with Social, Emotional and Mental Health Needs and/or Autistic Spectrum Condition
 - Partnership working and co-location of specialist provision on mainstream sites
 - Increase capacity in specialist provision to reduce the need to access placements at Independent schools/out of county provision.

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 where appropriate.

Assessing the likelihood of a further request in 2023/24

9. 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.
10. Whilst the Government has provided for significant additional funding over the last couple of years and in 2022/23, this is only keeping pace with the change in demand and is insufficient to bridge the underlying gap. Going forward there remains significant financial risk that i) the additional funding is subsequently removed / reduced and ii) that funding levels going forward fail to keep pace with increasing demand and cost.
11. Whilst SEND Transformation is expected to reduce pressures in this area over time, 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 recovery 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

12. The total amount that would be top sliced would be determined by the 2022/23 allocations confirmed in December 2021. Based on latest forecasts, it is expected that this would be in the region of £2.8m.
13. The Schools revenue funding 2022 to 2023 Operational guide requires local authorities to set a Minimum Funding Guarantee of between +0.5% and +2%. This means on a per pupil basis, the schools' individual budgets will increase by at least 0.5% even with this funding switch.

Consultation

14. 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 maintained schools and academies and that the Schools Forum should take into account the views of the schools responding before giving their approval. The survey will only take a few minutes to complete and is available here:

<https://www.surveymonkey.co.uk/r/3SLBJ6R>

- **This survey is for mainstream schools only (Maintained and Academy) – please complete only one response per school**
 - The survey will be open until 5pm 1 October 2021

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 £2.8m) 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
Infant	0	0
First	1	2
Junior	0	0
Primary	3	4
Middle	0	6
High	1	2
Secondary	1	19
Total	6	33
Percentage of responses	15%	85%

The response rate for the consultation was very low at 10.5% (39 schools responded out of 370).

Key themes from the supporting comments:

Agreeing with the proposal

- Increasing numbers of children with needs and/or in crisis
- Essential to support pupils with high needs
- Understand the rising costs of supporting this group of vulnerable pupils
- If schools are to provide the support needed to allow students with SEND to achieve their potential, funding is required for this.

Disagreeing with the proposal

- Continuing to transfer money from one struggling sector to another will only mask the chronic underfunding at government level.
- The pressure to fairly fund SEND should sit with DfE, not schools.
- Students require the financial stability and support needed for their education
- Transferring money from schools places additional pressure on school budgets in a continuing time of insufficient funding
- School budgets are already stretched and losing more funding will affect the learning of pupils
- The LA does not seem to be addressing the problems identified. We would be more open to agreeing to the movement between blocks if we had details of the savings planned and they were shared and reviewed each term.
- Do not agree with the way the LA spends the money