

Schools Forum – 23rd March 2023

High Needs Block update

Executive Summary:

- The forecast outturn for the 2022/23 High Needs Block is £8.2m overspend (c £0.4m higher than the position last reported at Q3)
- At the end of the last financial year the DSG reserve went into deficit by c £8.6m and will deepen given the expected overspend in 2022/23.
- Additional Government funding next year will see Staffordshire's High Needs Budget increase to £122.2m; an increase of £7m (c 6%) compared with 2022/23 and in line with previous forecasts. However the Government has confirmed additional funding next year of £400m nationally of which Staffordshire will receive c £4.8m. Part of this additional funding must be paid directly to Special Schools (and PRUs) to ensure a further funding rise of 3.4% next year (on top of the set MFG).
- The funding rise, being the lowest for several years, is insufficient to close the gap and it is likely that a further overspend will arise in 2023/24. None of this funding increase will be used to repay historical deficits.
- The Council will increase funding next 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 Minimum Funding Guarantee (MFG).
- The new Education Banding Tool was implemented in April 2022 and has now been in place for a year. As planned a review of the EBT will be undertaken early in the new financial year to ensure it is delivering the intended objectives.

Recommendations:

That Schools Forum notes:

1. the High Needs Block budget update 2022/23 and latest forecast outturn
2. the proposed High Needs Block budget 2023/24

Report of Director for Children and Families

Background

3. The financial risk of the High Needs Block has been a standing agenda at Schools Forum. The increase in demand on the High Needs Block has been reported regularly. Pressures on the High Needs block are on-going due to the continued increase in a range of areas. These include:
 - Additional needs requests
 - Increase in pupil numbers requiring EHCPs,
 - Extension of age group to 25 for those with EHCPs,
 - Increase in independent placements and costs,
 - Increase in Matrix funding for special schools,
 - The funding of increased numbers of pupils educated 'other than at school' (EOTAS)
 - Increase in the number of pupils permanently excluded (and back to pre-pandemic levels)

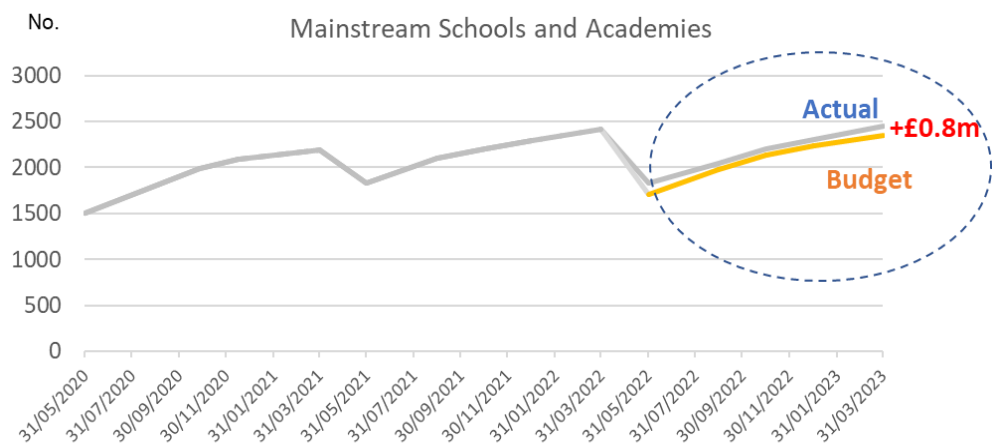
- Budget 2022/23 and Forecast

4. Despite additional Government funding this year, as previously stated this is insufficient to close the funding gap and there remains a forecast overspend of c £8.2m in 2022/23 (c £0.4m higher than at Q3). The main areas of forecast overspend within the High Needs Block are outlined below and summarised in the following table. A more detailed overview of the High Needs Block budget is provided within Appendix A:

<u>High Needs Budget 2022/23</u>	Budget 22/23 £m	Outturn £m	Over / (Under) spend £m
Planned Places	33.1	33.1	0.0
Top Up Budgets	40.6	42.8	2.2
<u>Non Top Up Budgets</u>			
Independent Schools (Mainstream & Special)	25.7	30.5	4.8
Alternative provision (inc Hubs)	3.7	3.8	0.1
Post 16	4.7	5.6	0.9
Other	7.0	7.4	0.4
Total Net Spend	114.8	123.2	8.4
Total Funding	(114.8)	(115.0)	(0.2)
Net Outturn	0.0	8.2	8.2

5. Key variances arising

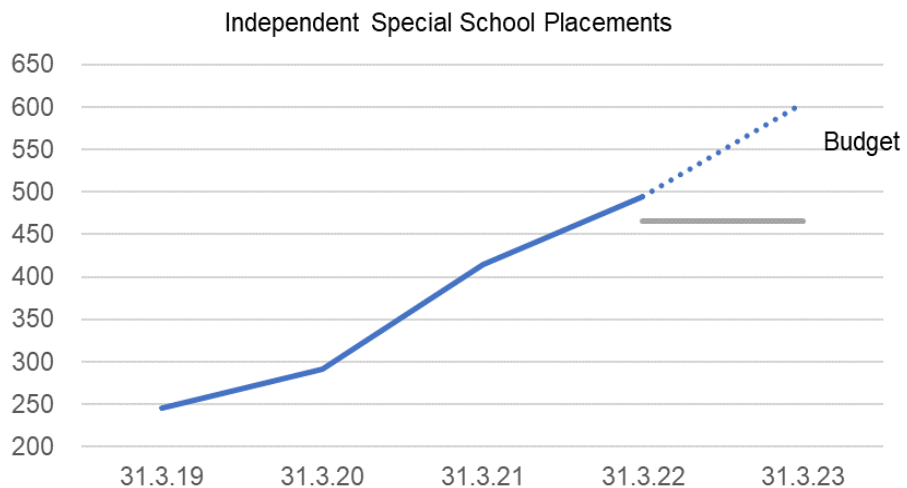
- i) An overspend of c £2.2m against the school 'top up' budgets, largely a result of:
- the number and rising cost of children with EHCP/AEN support in Mainstream Schools and Academies leading to a £0.8m overspend:



- An overspend of £0.9m in special schools and academies, arising as a result of both an increase in demand and a rise in the proportion of children receiving higher levels of top ups as a result of increasing needs:

Top Ups	2022/23			
	# fte		£m	
Matrix 1	488	22%	0.1	
Matrix 2	768	35%	1.3	
Matrix 3	969	44%	8.3	9.6
School Specific	2225			2.7
Additional Places				2.2
Enhancements				3.3
Exceptional Need				0.7
Residential				1.8
Adjustments (part time / backdated)				0.4
EBT (1-10)	116			1.2
EBT (school specific)				0.1
EBT (override)				0.0
Allowance for more growth				0.3
Total Spend				22.3
Budget				21.4
Variance				0.9

- ii) An overspend of c £4.3m in Independent Special Schools; this is c £0.2m higher than previously forecast and reflects additional places/demand and increasing costs.



- iii) Other net overspends of c £1.7m due to increasing demand, most significantly for Post 16 provision (£0.9m), other Independent (mainstream) providers and Early Years (SEN Inclusion fund) (£0.3m).

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

- SEND home to school/college transport; this is funded from the Council's general fund resources. The budget in 2022/23 is £18.3m and the latest forecast is that this budget will overspend by £3.7m this year.

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

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

6. As a result of the on-going overspend in the HNB, over the last few years the DSG reserve has been fully depleted and at the end of last year was in deficit by £8.6m. Given the latest forecast overspend 2022/23 that deficit is likely to increase this year to c £14m.
- High Needs Block Budget 2023/24
7. For Staffordshire the Government had initially indicated a High Needs Block allocation 2023/24 for c £122.2m; however, in the recent 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.
 8. For Staffordshire the HNB 2023/24 is £127.0m, a net increase of c £12m compared with 2022/23 (10%). Whilst this increase is welcomed, it is insufficient to close the existing funding gap and Staffordshire will continue to lobby for both additional funding and a fair and equitable mechanism for addressing cumulative deficits that should not impact on the Council's already stretched general resources.
 9. It is Staffordshire's intention to pass on the full budget increase next year for the provision of SEND support; none of this funding rise will be used to repay historical deficits and as much as is affordable will be passed to High Needs providers through enhanced rates, acknowledging the current pressures on the High Needs Block and the depleted Dedicated School Grant balances which – at the end of the current financial year (22/23) – will likely be in deficit by circa £14m.

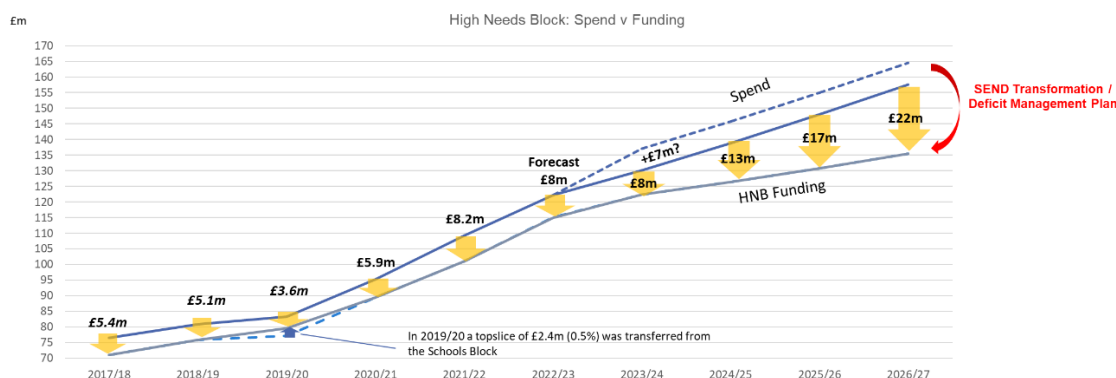
10. For 2023-24 Special School budgets will be set based on:
- a Minimum Funding Guarantee of 0.5%; ensuring that funding for all Special Schools, on a like for like basis, will increase next year by a minimum of 0.5%. This is in line with Government guidance for a MFG of 3% over 2 years (Staffordshire approved MFG in 22/23 was 2.5%).
 - there will be no capping of school gains

Schedules of rates applicable for mainstream, special schools and PRUs in 2023/24 is available at Appendices B and C.

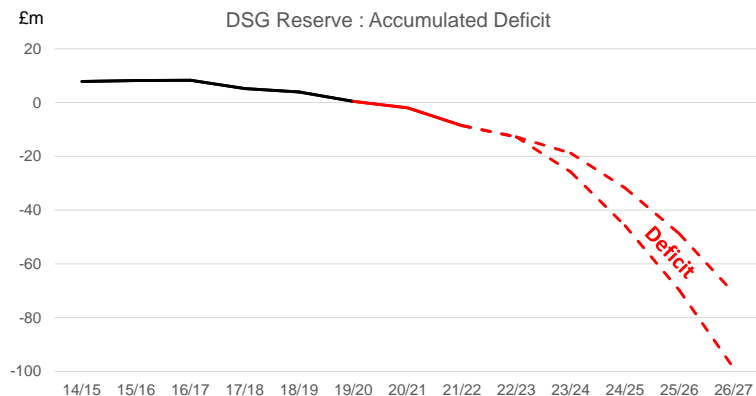
11. In 2023/24 the HNB budget is £127m; the following summarises the proposed budget allocations for next year:

High Needs Budget 2023/24	Budget 22/23 £m	Budget 23/24 £m
Planned Places	33.1	34.9
Top Up Budgets	40.6	44.3
Non Top Up Budgets		
Independent Schools (Mainstream & Special)	25.7	29.3
Alternative provision (inc Hubs)	3.7	3.8
Post 16	4.7	5.5
Other	7.0	9.2
Total Net Spend	114.8	127.0
Funding		
Government HNB DSG Allocation	(114.8)	(127.0)
Transfers from other Blocks	0.0	0.0
Total Funding	(114.8)	(127.0)
Net Outturn	0.0	0.0

12. Even with the additional Government funding a further significant overspend is anticipated in 2023/24; left unaddressed the annual budget gap is likely to increase going forward:



and could see the overall accumulated DSG deficit increase to between £70m and £100m by the end of 2026/27:



- Managing Demand and Sufficiency of Places

13. Through the SEND Accelerated Progress Plan, the Education, Health and Care Needs Assessment (EHCNA) pathway continues to be developed. This will enable multi-agency working 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.
14. 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.
15. The outcome of the review of specialist provision (mainstream, special and alternative provision) is due to be published for consultation during the summer term. This is to ensure there is sustainable provision across the county that meets current and future needs and demands. It is our strategy:
 - i. to increase the number of CYP with EHCP who access mainstream education- wherever possible within their local community and if appropriate with specialist support
 - ii. 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
 - iii. reduce reliance on Independent Specialist Provision
16. The above strategies are to manage the demand and sufficiency of specialist places and are consistent with the recently published SEND and AP Improvement Plan, so that everyone working with Children and young people with SEND have the necessary confidence and expertise, identifying additional needs and accessing targeted support when required.

- DSG 'Deficit Management Plan'

17. 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 plan and,

working in partnership with Schools Forum, will be monitored regularly throughout the year and going forward updated as and when decisions are made. The DMP is currently being updated following the outcome of the disapplication request.

18. Alongside other actions within the DMP, and shared with a working group of Schools Forum, the Council sought approval from Schools Forum for a 0.5% block transfer from the Schools Block to the High Needs Block in 2023/24. Whilst acknowledging the pressure on high needs funding, this request was not supported. The Council submitted a disapplication request for the block transfer which was not approved by the Secretary of State for Education.

Other Updates

- Education Banding Tool

19. From April 2022 the Council introduced a new Education Banding Tool to help calculate top up funding in a fair and consistent way. This is a 'needs led' tool and enables us to:
 - i. take a holistic view a child or young person's needs
 - ii. make calculations based on the support a child or young person needs to meet their educational outcomes and
 - iii. secure the special educational provision to meet their special education needs as detailed in their Education Health and Care Plan.
 20. The EBT has now been in place for a year and a review of the implementation will be undertaken during the forthcoming year to ensure it is delivering the intended objectives.
 21. A key condition for the implementation of the EBT was that it would be broadly cost neutral overall – to both the wider Special School sector and to avoid any further additional cost to the HNB given the existing overspend.
 22. Current monitoring of the 'average' top up cost of EBT placement costs compared with the matrix levels would indicate a concerning increase. Whilst the number (fte) of children assessed on EBT remains relatively low at this time, the average 'top up' cost for those placements is significantly higher (c £11,800) compared with the matrix model (c £7,300).
 23. This represents an unaffordable increase in costs and appears to reflect a significant 'shift' in the profile of assessments towards higher levels (i.e. EBT levels 7-10) compared with the desktop sample / exercise that was undertaken as part of the implementation and on which the proposed EBT rates were set:
 24. The review of the EBT will commence at the beginning of the summer term. As a result of the current budget monitoring, this may necessitate a review of the assimilated EBT rates to ensure that – overall – the new model is broadly cost neutral.
- Children in Care with SEND (Operational Guidance Update)
25. At the Schools Forum meeting 10 November 2022, members were informed of the clarified guidance within the HNB Operational Guidance regarding

recoupment of EHCP costs for children in the care of other local authorities. There remains a risk that HNB spend increases by c £7m due to this clarification.

26. The Council is working with WM local authorities to continue with the current custom and practice processes in place which mitigates this risk. The Council is continuing to lobby Government to amend the Operational Guidance or amend the national HNB funding formula to address the increase in costs.

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2022-2023 HIGH NEEDS BUDGET (as at Quarter 4)	Latest Budget	Forecast Outturn	Over/(Under) spend
	£m	£m	£m
Planned Places	33.1	33.1	0.0
Top Up Budgets	40.6	42.8	2.2
Staffordshire Special Schools and Academies	20.9	21.8	0.9
Staffordshire Mainstream Schools	15.0	16.4	1.4
Pupils in other LA Special & Mainstream Schools & Academies	2.2	2.3	0.1
Pupil Referral Units	2.5	2.3	(0.2)
Non Top Up Budgets	41.1	47.3	6.2
Independent Schools Mainstream	1.8	2.3	0.5
Independent Schools Special	23.9	28.2	4.3
Independent Hospital Fees	0.2	0.3	0.1
Early Years PVIs	0.2	0.5	0.3
Alternative provision (inc Hubs)	3.2	3.2	0.0
Education Other Than At School (EOTAS)	0.5	0.6	0.1
SEN Support Services	6.6	6.6	0.0
Post-16 FE Placements & Top-ups for ISPs	4.7	5.6	0.9
GRAND TOTAL	114.8	123.2	8.4
Funding	(114.8)	(115.0)	(0.2)
High Needs Allocation from Government	(114.8)	(115.0)	(0.2)
Transfers from other Blocks	0.0	0.0	0.0
NET FORECAST OUTTURN	0.0	8.2	8.2

a) Education Banding Tool Rates 2023/24

BAND LEVEL		Apr-23	
		Mainstream £	Specialist £
0		-	-
1		815	-
2		2,527	201
3		4,238	503
4		5,950	1,005
5	a	7,090	1,508
	b	7,661	2,010
	c	8,231	2,513
6	a	8,802	3,015
	b	9,373	3,518
	c	9,942	4,020
7	a	10,513	4,774
	b	11,083	5,528
	c	11,654	6,281
8	a	12,796	7,538
	b	13,937	8,794
	c	15,079	10,050
9	a	16,221	12,060
	b	17,362	14,573
	c	18,504	18,090
10	a	21,608	21,608
	b	25,125	25,125
	c	28,643	28,643
	d	32,160	32,160
	e	35,678	35,678
Early Years Enhancement (2-3 years)		-	2,455
EBT Override		Individually calculated	

b) Staffordshire PRU – Trig 8 rates

		Element 3 Top-Up Rates April 2022	Element 3 Top-Up Rates April 2023
Dual/Main Rolled Pupil	Primary	£50 per day	£50 per day
	Key Stage 3	£40 per day	£50 per day
	Key Stage 4	£40 per day	£50 per day
	Package	Individually calculated	Individually calculated
Single/Subsidiary Rolled Pupil	Primary	£7,635 pa	£7,675 pa
	Key Stage 3	£7,635 pa	£7,675 pa
	Key Stage 4	£7,635 pa	£7,675 pa
	Package	Individually calculated	Individually calculated
Lump Sum		£121,300 pa	£128,000 pa
Split Site Allowance		£20,000 pa	£20,000 pa
Environmental Capacity Protection		Individually calculated	Individually calculated

Special School Rates 2023/24

Appendix C

Matrix Model			
	School Specific*		
	£	Plus:	£
Chasetown Community School	1,648.30	Matrix Level 1	169
Walton Hall Academy	992.36	Matrix Level 2	1,642
Horton Lodge Special School	2,586.60	Matrix Level 3	8,563
Cicely Haughton School	2,620.74	Matrix Level TBC	-
The Fountains High School, Burton	710.66		
The Fountains Primary School, Burton	1,024.61	<u>Other Enhancements:</u>	
Hednesford Valley High School	614.45	Early Years (inc NCY 1)	2,455
Loxley Hall School, Loxley, Uttoxeter	1,674.13	Key Stage 4+ (NCY10 -14)	1,108
Blackfriars Academy, Newcastle	1,337.91		
Coppice Academy	1,371.99		
The Meadows Special School, Leek	1,074.75		
Two Rivers High School	688.36		
Sherbrook Primary School, Cannock	1,163.47		
Springfield School, Leek	2,281.58		
Cherry Trees School, Wombourne	6,252.33		
Rocklands School, Lichfield	1,012.86		
Marshlands Special School, Stafford	1,368.08		
Merryfields Special School	1,418.14		
Saxon Hill, Lichfield	1,448.46		
Queens Croft High School	667.25		
Two Rivers Primary School	1,070.57		
Wightwick Hall School, Wolverhampton	1,563.46		
Greenhall	7,748.21		

* the school specific rate is different for each school as it has been set annually and accumulated over time to accommodate i) annual MFG protections and ii) proportionate share of the fixed 'infrastructure' lump sum

Education Banding Tool Model			
	School Specific**		
	£	Plus:	£
Chasetown Community School	1,010.08	Special Banding Tool Level 01	-
Walton Hall Academy	172.64	Special Banding Tool Level 02	201
Horton Lodge Special School	1,835.18	Special Banding Tool Level 03	503
Cicely Haughton School	1,750.52	Special Banding Tool Level 04	1,005
The Fountains High School, Burton	154.52	Special Banding Tool Level 05a	1,508
The Fountains Primary School, Burton	135.55	Special Banding Tool Level 05b	2,010
Hednesford Valley High School	217.75	Special Banding Tool Level 05c	2,513
Loxley Hall School, Loxley, Uttoxeter	1,006.48	Special Banding Tool Level 06a	3,015
Blackfriars Academy, Newcastle	649.99	Special Banding Tool Level 06b	3,518
Coppice Academy	887.03	Special Banding Tool Level 06c	4,020
The Meadows Special School, Leek	531.48	Special Banding Tool Level 07a	4,774
Two Rivers High School	-	Special Banding Tool Level 07b	5,528
Sherbrook Primary School, Cannock	464.81	Special Banding Tool Level 07c	6,281
Springfield School, Leek	1,499.25	Special Banding Tool Level 08a	7,538
Cherry Trees School, Wombourne	1,926.35	Special Banding Tool Level 08b	8,794
Rocklands School, Lichfield	488.81	Special Banding Tool Level 08c	10,050
Marshlands Special School, Stafford	535.19	Special Banding Tool Level 09a	12,060
Merryfields Special School	683.86	Special Banding Tool Level 09b	14,573
Saxon Hill, Lichfield	492.23	Special Banding Tool Level 09c	18,090
Queens Croft High School	74.33	Special Banding Tool Level 10a	21,608
Two Rivers Primary School	483.38	Special Banding Tool Level 10b	25,125
Wightwick Hall School, Wolverhampton	907.06	Special Banding Tool Level 10c	28,643
Greenhall	6,231.33	Special Banding Tool Level 10d	32,160
		Special Banding Tool Level 10e	35,678
		<u>Other Enhancements:</u>	
		Early Years (up to 3rd birthday)	2,455

** the school specific rate reflects proportionate share of the fixed 'infrastructure' lump sum (there is no 'top up MFG' element included as that element was 'rolled in' to the EBT rates on implementation April 2022). EBT rates have been uplifted in line with the MFG 23/24 as reflected above.