

Schools Forum – 18th January 2024

High Needs Block update

Executive Summary:

- The forecast outturn for the 2023/24 High Needs Block is £20m overspend (no change from quarter 2).
- At the end of the last financial year the DSG reserve was in deficit by c £14.2m and will deepen to more than £30m given the expected overspend in 2023/24 given the expected overspend in 2023/24.
- The provisional Government funding settlement for 2024/25 will see Staffordshire's High Needs Budget increase to £132.4m (a net rise of circa 4%). Whilst this is in line with expectation, the rise is significantly lower than recent years and given the continuing growing demand, the existing overspend will likely increase further next year and going forward.

Recommendations:

That Schools Forum notes:

1. the High Needs Block budget update 2023/24 and latest forecast outturn
2. the update on the latest DSG government settlement

Report of Director for Children and Families

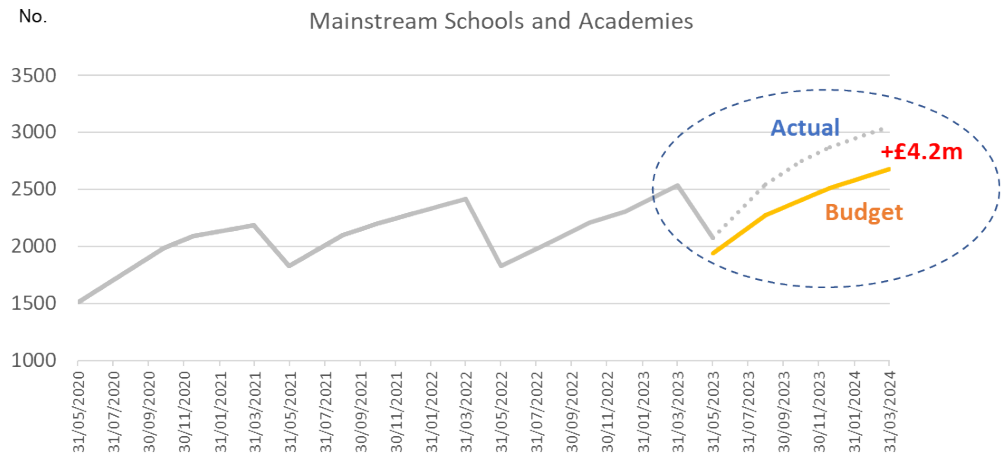
Background

3. The financial risk of the High Needs Block (HNB) has been a standing agenda item 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
4. 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]
5. Staffordshire’s request this year for a transfer of 0.5% (equivalent to c £3.1m) from the Schools Block to the High Needs Block was refused by Schools Forum at its meeting November 2022. The Council submitted a disapplication request for the block transfer which was rejected by the Secretary of State for Education.
6. Whilst the additional Government funding is recognised, this is not keeping pace with rises in cost and demand and the gap is continuing to increase. The forecast overspend this year is circa £20m (no change from the forecast overspend reported at quarter 2) (see Appendix 1 for more detailed overview):

<u>High Needs Budget 2023/24</u>	Budget 23/24 £m	Outturn £m	Over / (Under) spend £m
Planned Places	35.0	35.0	(0.0)
Top Up Budgets	44.3	55.3	11.0
<u>Non Top Up Budgets</u>			
Independent Schools (Mainstream & Special)	29.3	37.2	7.9
Alternative provision (inc Hubs)	3.8	4.5	0.7
Post 16	5.5	5.8	0.3
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

7. Key variances arising
- An overspend of c £11m against the school ‘top up’ budgets including most significantly:
 - i. a rise in the number of children with EHCP/AEN support in Mainstream Schools and Academies leading to a £4.2m overspend:



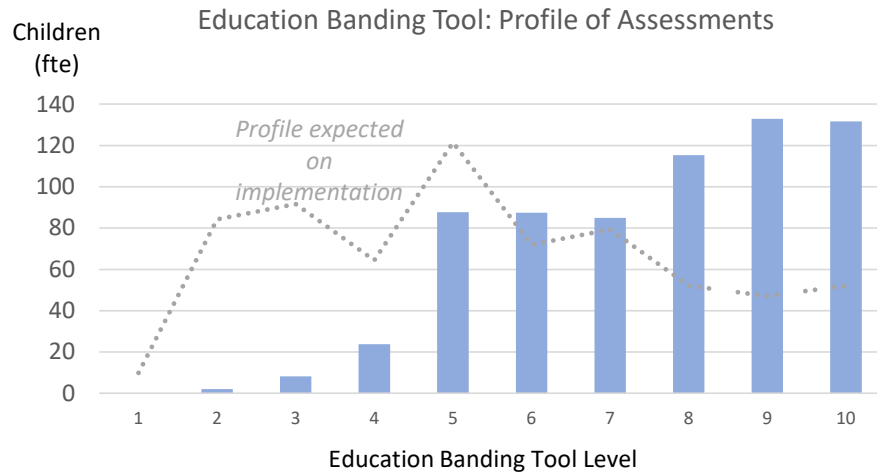
- ii. An overspend of £5.3m in special schools and academies due to the combined impact of increasing demand, complexity and costs:

	2023/24			
	# fte		£m	
<u>Top Ups</u>				
Matrix 1	340	19%	0.1	
Matrix 2	640	36%	1.1	
Matrix 3	817	45%	7.0	8.1
School Specific	1797			2.2
Additional Places				2.1
Enhancements				2.8
Exceptional Need				0.6
Residential				1.8
Adjustments (part time / backdated)				0.6
EBT (1-10)	674			7.6
EBT (school specific)				0.5
EBT (override)				0.1
Allowance for more growth				1.0
Total Spend				27.5
Budget				22.2
Variance				5.3

Average £/fte 0.008

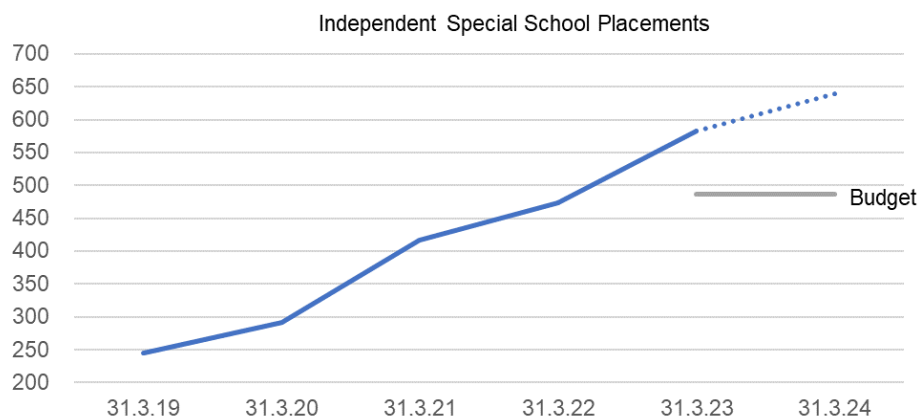
Average £/fte 0.012

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.



iii. 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 £6.9m in Independent Special Schools



- Other net overspends of c £2.1m, most significantly for Independent mainstream provision, alternative 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.

SCC remains 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 from **Autumn 2024** with the assurance that all issues experienced have been resolved.

SEND staff have continued 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.

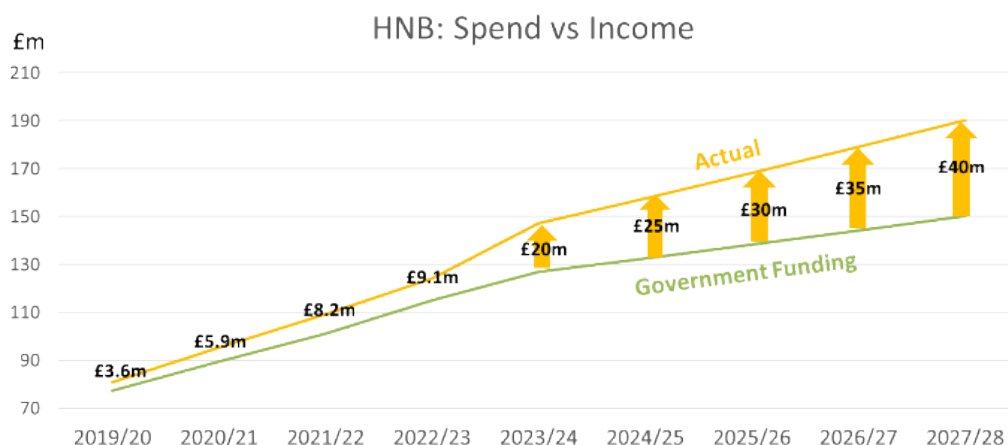
SCC will continue to keep schools informed of this progress during this term, with the aim of an education provider consultation undertaken prior to an agreed re-launch of the EBT.

Budget 2024/25 and Going Forward

8. In 2024/25 Staffordshire's high needs budget will increase to c £132.4m (a net increase of just 4% compared to 2023/24). Whilst this is broadly in line with expectation, 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.
9. This means that the funding gap will continue to grow as costs and demand continue to rise, increasing the overspend on the HNB as actions to address this locally are in their infancy.

		23/24	24/25
Basic Entitlement Factor	No Pupils in special schools	3382	3696
	Rate £	4660	4660
	£m	15.8	17.2
Historic Element (fixed)	£m	32.0	32.0
Population	Proportion of national	1.37%	1.37%
	Funding Allocation (£m)	2,861	3,235
	£m	39.2	44.3
National Funding Formula (e.g. Free School Meals, IDACI, Bad Health, Disability, Low Attainment KS2 & KS4)	Proportion of national	1.16%	1.14%
	Funding Allocation (£m)	2,861	3,235
	£m	33.3	37.0
Hospital	£m	0.7	0.7
Import/Export Adjustment	Net	224.2	203.0
	£	6000	6000
	£m	1.3	1.2
Supplementary Grant	£m	4.8	
GRAND TOTAL	£m	127.0	132.4

10. 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

11. 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

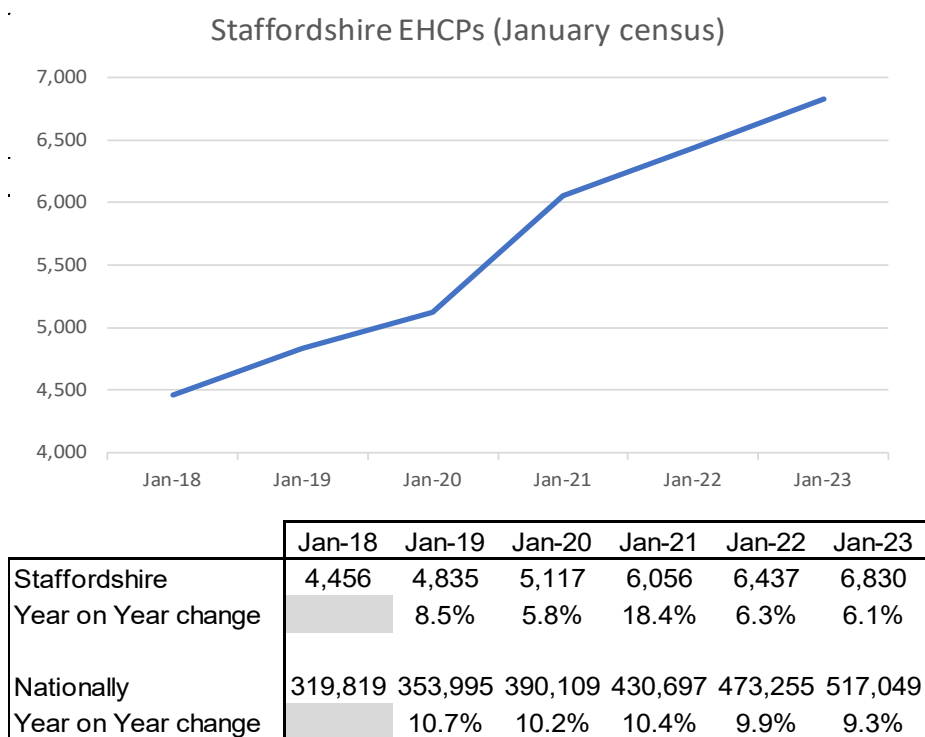
12. The HNB overspend – and accumulated deficit - is mainly due to increased demand for Special Educational Needs provision and in particular:

- the rise in demand for Education, Health and Care plans (EHCPs) following national reforms from 2014;
- increasing complexity of children’s needs; and

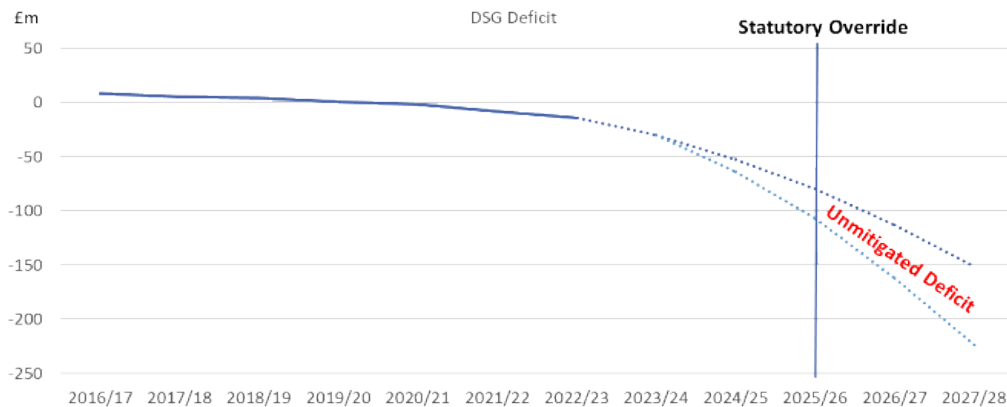
- the rising demand and costs for out of county (Independent) placements.

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.

13. 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:



14. 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:



15. Given the current level of ‘DSG deficits’ within the system, a government intervention has been brought forward (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. It is currently unclear how accumulated deficits will be managed beyond that time.

SEND Strategy & Accelerated Progress Plan

16. 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 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

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

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.

17. 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.

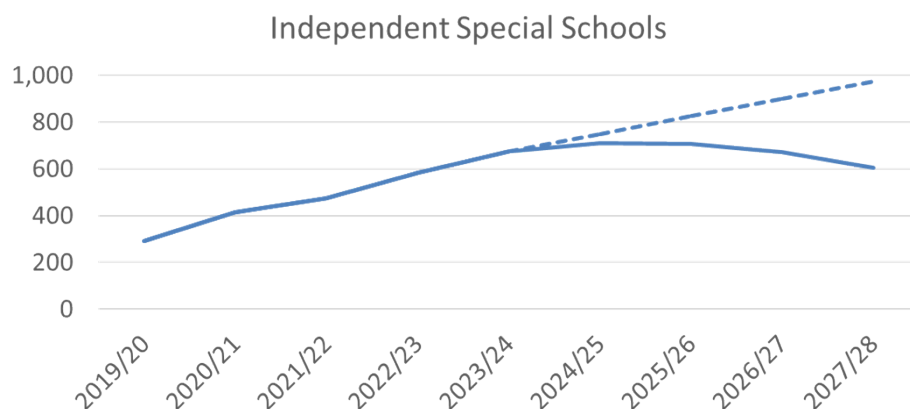
18. No single action alone will be sufficient to mitigate the existing deficit, but this will only be addressed through a combination of interventions. A longer term 'deficit management plan' has been developed that is consistent with the actions and objectives outlined in the Council's Accelerated Progress Plan and wider SEND Strategy. This was presented, in summary, to the Schools Forum in November.

- Deficit Management Plan

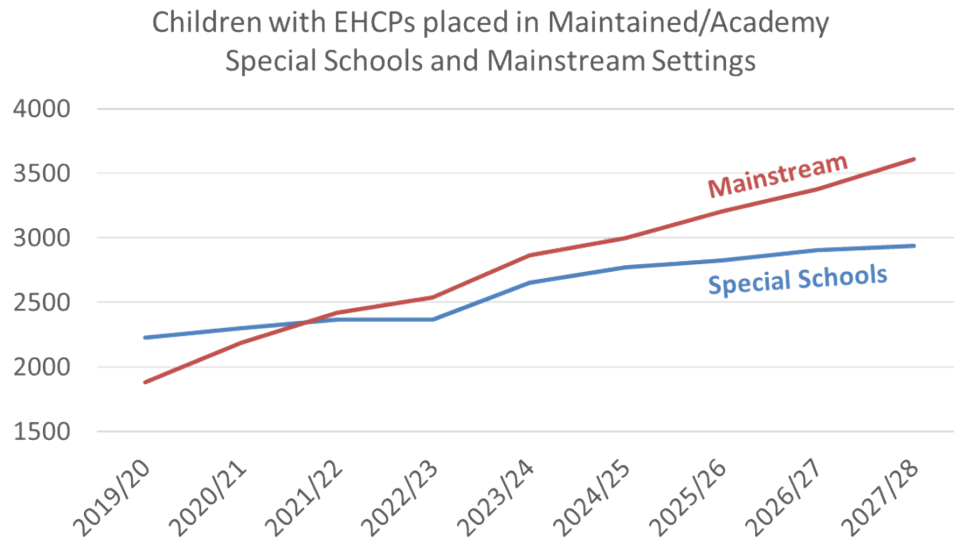
19. The DMP will mitigate – as far as possible - the funding gap which is expected to increase to c £40m by 27/28. This will require difficult decisions that impact on service delivery across all sectors including:

- 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)

UPDATE: SCC continues to work up options for the provision of residential educational provision (c £1.8m p.a.). This is a complex issue and will take time and it has been agreed that existing contracts should be extended for a further 2 years up to July 2026.

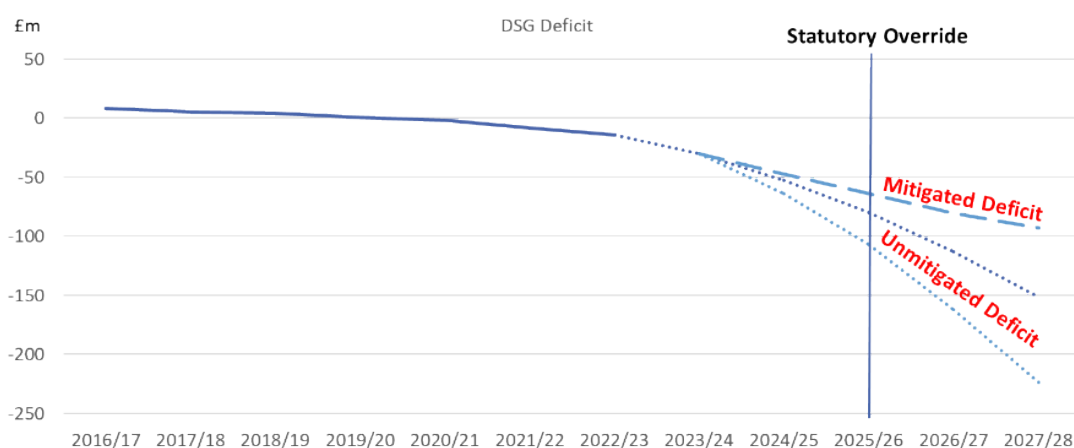
- c. Transfer of 0.5% funding from the Schools Block to the High Needs Block (circa £3.2m in 24/25). This will be invested to fund the Council's transformation programme outlined above.

UPDATE: Schools Forum rejected the request for a 0.5% funding switch at its November meeting and as such the Council has now made a disapplication request to Secretary of State to approve the transfer; at the time of writing this report it is not yet known if that request has been approved.

- Other
20. 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.
- 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);

21. Whilst this will not address the accumulated deficit, it will limit the extent to which the shortfall will increase over the next few years to be addressed over the longer term (but is still expected to be at least £100m by 27/28). 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.



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

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² In accordance with the Councils' Growth Fund Policy

Appendix 1 - Forecast Outturn 2023/24 (as at Quarter 3)

2023-2024 HIGH NEEDS BUDGET (Quarter 3)	Latest Budget	Forecast Outturn	Over/(Under) spend
	£m	£m	£m
Planned Places	35.0	35.0	0.0
Top Up Budgets	44.3	55.3	11.0
Staffordshire Special Schools and Academies	21.7	26.9	5.2
Staffordshire Mainstream Schools	17.9	22.1	4.2
Pupils in other LA Special & Mainstream Schools & Academies	2.3	3.5	1.2
Pupil Referral Units	2.4	2.8	0.4
Non Top Up Budgets	47.7	56.6	8.9
Independent Schools Mainstream	2.3	3.3	1.0
Independent Schools Special	27.0	33.9	6.9
Independent Hospital Fees	0.2	0.3	0.1
Early Years PVIs	0.4	0.8	0.4
Alternative provision (inc Hubs)	3.2	4.0	0.8
Education Other Than At School (EOTAS)	0.6	0.5	(0.1)
SEN Support Services	8.5	8.0	(0.5)
Post-16 FE Placements & Top-ups for ISPs	5.5	5.8	0.3
GRAND TOTAL	127.0	146.9	19.9
Funding	(127.0)	(126.9)	0.1
NET FORECAST OUTTURN	0.0	20.0	20.0