

AGENDA ITEM 6

**REPORT TO
SCHOOLS FORUM**

21 JANUARY 2022

HIGH NEEDS UPDATE REPORT

SUMMARY

To provide Schools Forum with an update on the financial position for High Needs factoring in any recent funding announcements.

RECOMMENDATION

1. It is recommended that Schools Forum notes the report.

SPENDING PRESSURES

2. The school budget outturn report which was presented to the Forum at the meeting on the 29th June 2021 showed that expenditure on Dedicated Schools Grant (DSG) **exceeded budget by £1.628m** during the 2020/21 financial year. The majority of the overspend was associated with High Needs budgets. This overspend meant that the overall cumulative **deficit on the DSG had risen to £6.052m** at the end of 2020/21. This is expected to **rise to £6.142m** by the end of the 2021/22.
3. Historically High Needs pressures have related mainly to the following:-
 - a. Additional funding provided relating to the delay in implementing new staffing structure at Bishopton Centre due to Covid-19.
 - b. Additional top ups across all education settings.
 - c. Increase in the number of pupils staying on to Post-16 / Post 19.
 - d. Increase in cost due to the increase in the number of pupils in out of area schools.
 - e. Additional cost due to the increase in the number of Agency placements. There is also a rising number of CiOC educated out of Stockton because of their care requirements.
 - f. Projected savings identified in the HN deficit recovery plan relating to planned partnership working between special and mainstream schools for children with complex needs / physical disability did not materialise year. Also, additional income targeted from improved joint commissioning / continuing care arrangements also specified in the recovery plan was not achieved. These have been delayed because of the current position with Covid-19.

- g. Projected savings identified in the HN deficit recovery plan relating to the reduction in growth of independent special school provision by creating ASD capacity in the Borough has not materialise over the last couple of years. Again, this has been delayed because of the current position with Covid-19. There has also been an increase in agency placements within the non-maintained and independent providers sector have increased costs.

HIGH NEEDS FUNDING 2022/23

4. The national increase in high needs funding in 2022 to 2023 will be £780 million, or 9.6% compared to the amounts allocated in 2021 to 2022. This will enable all local authorities to see an increase in high needs funding in 2022 to 2023, when using the funding allocated in 2021 to 2022 as a baseline.
5. For Stockton this means an additional £3.072m over 2021/22, making the total £34.356m before recoupment. The allocation received is provisional as adjustments will be made in year for the export/import of places between authorities.
6. The Government have also published details for additional high needs funding allocations as part of the DSG for 2022/23. This is following the autumn spending review announcement of extra funding for schools and high needs. These allocations are on top of the DSG high needs block allocations shown in the DSG published allocations 2022 /23 above, but are subject to the same DSG conditions of grant. For Stockton the allocation is £1.288m for 2022/23.
7. The Government have advised authorities with which they are most closely engaging with on their financial planning, through the safety valve programme, to use an assumption of a 5% year-on-year increase in 2023 to 2024, and 3% beyond that for High Needs. These increase will be reflected in future income projections but please note these have not be formally agreed.
8. Stockton's allocation for 2022/23 including the additional grant is £35.644m but this will be increased by the £0.752m transfer from Schools Block to £36.396m.

HIGH NEEDS POSITION

9. The current high needs medium term financial plan is attached at **Appendix 1**. The figures which exclude any assumed future block transfer show that high needs expenditure is expected to rise from £32.456m in 2021/22 (see table in paragraph 22) to £34.814m in 2022/23, then increase to £35.644m by the end of 2023/24 and then up to £36.175m by the end of 2024/25.

10. As noted in sections 5 and 6 additional funds have been allocated nationally for high needs for 2022/23 which will be utilised to offset these rising costs and also help to reduce the deficit, and it is estimated that this will help achieve a balanced budget by the end of the current medium term financial plan (MTFP).
11. Detailed forecasting work has been undertaken over the last six months to review the High Needs Medium Term Financial Plan. All aspects of this plan have been reviewed including
 - past trends,
 - the current budgetary control position,
 - increase in placement numbers,
 - inflationary increases,
 - changing service requirements,
 - current and future contract requirements,
 - latest funding announcements.
12. This has culminated on the expenditure figures shown in paragraph 9 and presented in Appendix 1.
13. The budgetary control report also presented on today's agenda provides details of the pressures during the current financial year.
14. It is anticipated that the £1.288m additional grant that has been allocated as noted in paragraph 6 will be fully utilised across the medium term. Extra funding has been allocated to recognise the additional costs that local authorities will face in the coming year, which were not foreseen when the original high needs block allocations were calculated, including the Health and Social Care Levy.
15. Therefore based on the current MTFP forecasts it is estimated that there will be a funding surplus of £1.701m in 2022/23, £1.902m surplus in 2023/24 and £2.494m in 2024/25. These surpluses will be utilised to reduce the current DSG deficit.
16. After taking account of the additional funding nationally and the projected expenditure plans the estimated deficit on the DSG will reduce from £6.142m at the end of 2021/22 to £4.441m at the end of 2022/23, reduce further to £2.539m at the end of 2023/24 and it is estimated that the DSG deficit will be eradicated by the end of 2024/25.
17. The Local Authority has a corporate and strategic duty to address the deficit position and pressures on the High Needs budget. Whilst the additional funding is welcome and based on the current estimated expenditure plans this seems to address the significant pressures the service has faced over the last few years there are still risks across the medium term from increased service requirements.

18. As a reminder any future accumulated overspend on the High Needs budget will be required to be repaid from future High Needs funding allocations.
19. During the last 6 months Andy Bryson (Chief Accountant) and Ian Coxon (Assistant Director Information & Improvement) have had informal discussion with DfE about dedicated schools grant, high needs funding and in particular our high needs deficit. This is part of the discussions DfE are having with all local authorities who have reported DSG deficits.
20. The authority will be providing an update to DfE on its revised High Needs spending forecasts which will then prompt some further discussion with them about next steps.

HIGH NEEDS ADDRESSING THE POSITION

21. Due to the ongoing pressures within high needs the authority with the support of the Schools Forum has agreed previous block transfers as detailed below;

2019/20	1.1%	£1.400m
2020/21	0.5%	£0.669m
2021/22	0.5%	£0.698m
2022/23	0.5%	£0.752m

During these years these transfers have still proved insufficient to counter the significant cost pressures being experienced from the key drivers as presented in the table below.

	2017/18	2018/19	2019/20	2020/21
Education, Health and Care Plans	1328	1452	1548	1798
Permanent Exclusions	43	56	58	33
Non Statutory SEN (with top-up)	380	384	493	428

22. A breakdown of the specific pressures over four years that have led to the requirement for a transfer are shown in the table below:-

High Needs Spend					
		Actual		Projection as Qtr 3 BC	
	2018/19	2019/20	2020/21	2021/22	% change on 2018/19
Top-ups					
Mainstream schools - pre-16	2,992,111	3,255,127	3,737,135	3,817,292	27.6%
Special Academies	3,470,586	3,604,023	3,693,872	4,471,256	28.8%
AP (incl. PRU / Exclusions / Therapies / PDC's)	1,710,834	1,886,302	2,298,352	1,664,043	-2.7%
Early Yrs PVI	147,834	254,914	203,279	229,979	55.6%
Post-16	1,776,009	1,843,321	2,183,714	2,150,000	21.1%
	10,097,375	10,843,687	12,116,352	12,332,570	
Place funding					
Agency Placements	9,228,201	9,112,784	8,750,782	8,751,838	-5.2%
Other out of area placements	2,806,287	4,298,657	5,106,361	5,912,204	110.7%
SEN Support**	1,452,022	1,209,891	1,714,765	1,388,648	-4.4%
Support for Inclusion	1,763,217	1,787,051	1,725,771	2,484,218	40.9%
Recoupment of FE places	344,993	344,993	344,993	344,993	0.0%
	828,000	940,000	1,146,000	1,242,000	50.0%
Total HN Expenditure	26,520,094	28,537,064	30,905,024	32,456,471	22.4%
	-	-	-	-	
HN Funding	24,318,377	24,659,138	27,744,907	31,391,226	
Transfer from Schools Block	617,000	1,400,000	668,684	698,073	
Other DSG savings	420,598	630,799	863,686	276,580	
In-Year overspend /(saving)	1,164,120	1,847,126	1,627,747	90,592	
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Cumulative Deficit		4,423,846	6,051,593	6,142,184	
		-	-	-	
Notes					
** SEN Support - This includes the costs of non-delegated centrally retained specialist SEN support services for pupils with or without EHC plans (including Early Support Nursery, services for Visual and Hearing Impairment etc.).					

23. To address the situation a number of measures to reduce expenditure are being undertaken including the following;

- a) Enhanced Maintained Schools (EMS) continue to evolve, to support provision for children locally and reduce pressure on more specialist placements. These centres of excellence provide peer outreach to other settings to assist in growing capacity to meet needs when they first present.
- b) A Mapping exercise is underway based on historical SEND data (3 calendar years). This will assist the Local Area to 'predict' a wide range of future needs with the required provision to meet need. Once our methodology becomes embedded in the way we work future training/early identification of gaps in available provision should be able to be developed to fill those gaps. Training and capacity building is already underway and this will be able to be focussed on the areas of greatest need/future predicted cost..
- c) Reduction in Out Of Area/Independent Special School Placements through the development of 'In Borough' provision.
- d) Tees Valley Free School which will reduce the number of children requiring much higher cost independent special school provision (SEMH/ASD) will complete and be operational next academic year. Sponsor academy has been secured with River Tees Multi Academy Trust for opening Autumn 2022. Stockton LA are heavily

involved in the planning and appointment of key staff (e.g. Principal Designate)

- e) Pathway Development Centre places commissioned to promote opportunities for continued supported mainstream placement after a Permanent Exclusion have been very successful in primary.
- f) Commissioning of ASD outreach service (NEAS) to enable advice support and guidance to be available as soon as needs are identified.

24. There are a number of measures that are coming on stream or have already come on stream from September looking at exclusions / inclusions including;

- a) Pathway Development Centre for KS3 (which will have a part time school commissioned assessment place offer in the planning) mainstream focus. Whilst some of the primary phase PDC placements have been commissioned into 3 schools there have been no bids for the rest of the KS1/2 places or the KS3 PDC places despite this being out to tender a number of times this academic year) Schools will be invited to work with service leads to redevelop the specification.
- b) Alternative Provision Framework has been developed, bids received and framework drawn up Autumn Term 2020 is now in place and shared with schools to be able to use.
- c) BOSS – Ladders of Intervention Tees Valley Combined Authority funding – staffing has been appointed and 2 of the pilot schools have begun implementation Autumn 2020.
- d) De-delegated behaviour support has had a redesign that has been coproduced with maintained mainstream Headteachers with a menu of services available. This has been very popular with maintained schools and is now available for all schools and settings (SEMH offer).
- e) Expansion of places at our local special academies have been pursued through a variety of solutions. Additional building work to provide more classrooms, satellite hubs in local mainstream schools (this has been successful for Abbey and Northshore for some time, the LA are seeking to replicate this with Ash Trees in the near future).
- f) Kiora Hall school development has now been agreed. NEAS are investing funding into considerable building work at Kiora Hall with scheduled opening Spring 2022.

25. In addition to the above the Local Authority is pursuing developments in;

- a) Joint commissioning services to provide the provision outlined in children and young people's EHCPs
- b) Central support services to enable upskilling of staff in schools and settings in the Local Area which ties in with the implementation of Valuing SEND across all aspects of SEN (SEN support and EHCP)

- c) New co-produced EHCP format includes additional fields looking at aspiration and independence. Schools and settings are following a roll out of Person Centred Planning training and development into the new school year.

26. Partnership working between the Local Authority and those institutions offering special and alternative provision, parents and neighbouring authorities are going to be key to successfully achieving objectives set out above.

27. As mentioned above there are a number of key partnerships already in place helping to achieve the objectives including, the successful joint bid with neighbouring authorities for a Tees Valley Special Free School, the expansion of capacity for specialist placements in the borough working with Academies and the independent sector and developing contracting arrangements for new Pathway Development Centres for alternative provision.

28. Tribunals are increasing nationally, the numbers of EHCPs are rising nationally, children and young people are keeping EHCPs longer nationally this is mirrored in Stockton. The Local Authority and the CCG are committed to meeting the needs of children and young people effectively (ref SEND Strategy 2021) to improve outcomes and promote successful lives now and in the future. We are also committed to developing local provision to meet the needs of children and young people 0-25. We will continue to work with partners to ensure joint commissioning strategies are in place to secure the right support at the right time through joint working across the system.

RISK

29. There are a number of financial risks around the delivery of the recovery plan including:-

- a) Growth is greater than anticipated.
- b) Specific issues around achieving potential savings especially due to the impact of Covid 19.
- c) Additional high needs funding only approved for one year only.
- d) The inflation increases indicated in funding are not forthcoming.
- e) Reducing existing levels of high needs spend involves significant challenges and also depends on the shared commitment of all Stakeholders. This also need to be viewed in the current national context of increased expectations.

Contact Officer: Andy Bryson, Chief Accountant
Tel No: 01642 528850

Contact Officer: Joanne Mills, Head of SEND and Inclusion
Tel No: 01642 526423