

AGENDA ITEM 6

**REPORT TO
SCHOOLS FORUM**

**14 NOVEMBER
2023**

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 27th June 2023 showed that there was a net saving on Dedicated Schools Grant (DSG) of (£1.61m) during the 2022/23 financial year. The in-year net saving of (£1.61m) was made up of a (£1.7m) planned High Needs saving offset by a £0.3m in-year High Needs overspend plus further savings of (£0.21m) on other DSG areas.
3. Therefore the overall cumulative deficit at the end of 2022-23 was £3.87m which was a reduction against the brought forward deficit of £5.48m. The reduced deficit has been carried forward into 2023-24.
4. As noted in the Outturn report presented to the Forum and noted above, the High Needs element of the DSG continued to overspend, net £300k during 2022/23.
5. High Needs pressures in 2022/23 have related mainly to the following:-
 - a. Continuing increase in the number of pre 16 Agency placements
 - b. Additional top-ups, placement costs and one-off funding for pupils in SBC Special Academies
 - c. Increased cost and number of out of area placements with independent providers..
 - d. Increase in the number of pupils staying on to Post-16.
6. The High Needs pressures have continued during the first half of the current financial year. The Schools Budget Monitoring to the 30th September report presented to the Forum in October, identified that the budget was set

anticipating an in year saving of £1.1m. However, based on a review of and increased expenditure on High Needs at quarter 2 it is now expected that this target will not be met. Instead, an in-year saving of £352k is now expected which will reduce the cumulative deficit b/fwd from 2022/23 of £3.87m down to £3.51m instead of the budgeted position of £2.7m.

7. The increases related to the outturn position and in year budgetary control exercises have been built into the updated High Needs Medium Term Financial Plan.

HIGH NEEDS FUNDING 2024/25

8. Details of High Needs Funding for 2024/25 were provided to the Forum at its meeting in October 2023 as part of the Schools Funding report for 2024/25.
9. In summary High Needs Funding nationally is increasing by a further £440 million, or 4.3%, in 2024-25 – following the £970 million increase in 2023-24 and £1 billion increase in 2022-23. This brings the total high needs budget to £10.54 billion – an increase of over 60% since 2019-20. The high needs NFF will ensure that every local authority receives at least a 3% increase per head of their ages 2-18 population, with the majority of authorities seeing gains of more than 3%.

HIGH NEEDS POSITION

10. 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 £39.817m in 2023/24 to £40.432m in 2024/25, then increase to £42.120m by the end of 2026/27.
11. Detailed forecasting work continues to be undertaken and over the last few months the High Needs Medium Term Financial Plan has been updated to reflect the outturn variations in spending during 2023/24 as detailed in paragraphs 2 to 6 above. All aspects of this plan are continually reviewed taking account of;
 - past trends,
 - the current budgetary control position,
 - increase in placement numbers,
 - inflationary increases,
 - changing service requirements,
 - current and future contract requirements,
 - latest funding announcements.
 - delivering better value programme.
12. Therefore based on the current MTFP forecasts presented in **Appendix 1** it is currently **estimated** that there will be a funding surplus of £0.456m in 2024/25, £0.652m surplus in 2025/26 and a £1.251m surplus in 2026/27. These surpluses will be utilised to reduce the current DSG deficit.

13. After taking account of the previously announced national funding allocations and the projected expenditure plans the estimated deficit on the DSG will reduce from £3.514m at the end of 2023/24 to £3.057m at the end of 2024/25, reduce further to £2.404m at the end of 2025/26 and it is estimated that there will be a **DSG deficit** of £1.153m by the end of 2026/27.
14. A point to note with regards to future funding. The figures presented in **Appendix 1** assume an annual increase of 3% in High Needs Block Funding for 2025/26 and 2026/27 which equates to approximately £1.25m per annum. This increase has not been formally announced and if it does not materialise this will increase the financial pressures within High Needs.
15. The Local Authority has a corporate and strategic duty to address the deficit position and pressures on the High Needs budget. Any additional funding is welcome but based on the current estimated expenditure plans this does not fully address the significant pressures the service will face across the medium term from increased service requirements and the current DSG deficit.
16. The way in which local authorities account for DSG deficits has been altered by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 (SI 2020 No 1212), made by what is now the Department for Levelling Up, Housing and Communities (DLUHC), which require DSG deficits to be held in a separate reserve in local authorities' accounts. This is now the accounting treatment that local authorities must follow while those regulations are in force. DLUHC have announced that they are extending these regulations up to and including the accounts for 2025 to 2026.
17. However, as part of the Delivering Better Value programme outlined below, more detailed work on place planning projections has commenced in order that a more sophisticated needs analysis of the types of placements and provision we will need in future years can be developed. This work will result in a need to reprofile future spend.
18. In addition, there have been discussions with both Academy Trusts for the special schools in the Borough, based on evidence that other local authorities provide more funding for places with the same level of need. The outcome of this can be that more pupils from out of borough are placed in Stockton-on-Tees schools with a corresponding need to commission more places from the independent sector at greater cost. A range of options to address these challenges are currently being developed, and will also be factored into the Banding Review the Interim Director of Children's Services has proposed.
19. As a reminder any future accumulated overspend on the High Needs budget will be required to be repaid from future High Needs funding allocations.

HIGH NEEDS - ADDRESSING THE POSITION

20. 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;

2021/22	0.5%	£0.698m
2022/23	0.5%	£0.752m
2023/24	0.5%	£0.795m

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.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Education, Health and Care Plans ***	1452	1548	1798	1881	2043	2099 (to date)
Permanent Exclusions	56	58	33	38	126	20 (to date)
Agency Placements (At 31/03) *	92	110	112	111	143	160 **

* Based on actual number of pupils in placements at 31/03 each year (please note numbers fluctuate throughout the year)

** Average number of full time equivalents estimated to 31/03/24

*** EHCP numbers are published nationally by calendar year however we have listed by academic year here for ease of comparison.

21. 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				
	2019/20	2020/21	2021/22	2022/23	% change on 2019/20
Top-ups					
Mainstream schools - pre-16	3,255,127	3,737,135	3,647,929	3,489,579	7.2%
Special Academies	3,604,023	3,693,872	4,579,114	5,387,396	49.5%
AP (incl. PRU / Exclusions / Therapies / PDC's)	1,554,721	1,863,642	1,602,236	1,835,492	18.1%
Early Yrs PVI	254,914	203,279	206,185	221,230	-13.2%
Post-16	1,843,321	2,183,714	1,961,573	2,072,616	12.4%
	10,512,106	11,681,642	11,997,037	13,006,313	
Place funding					
Place funding	9,112,784	8,750,782	8,840,708	9,063,764	-0.5%
Agency Placements	4,298,657	5,106,361	5,425,872	7,056,878	64.2%
Other out of area placements	1,209,891	1,714,765	1,641,508	1,639,536	35.5%
SEN Support**	2,118,633	2,117,008	2,520,687	2,685,161	26.7%
Support for Inclusion	344,993	344,993	344,993	344,993	0.0%
Recoupment of FE places	940,000	1,146,000	1,242,000	1,288,000	37.0%
Total HN Expenditure	28,537,064	30,861,551	32,012,805	35,084,644	22.9%
	-	-	-	-	
HN Funding					
HN Funding	24,659,138	27,744,907	31,391,226	35,625,774	
Transfer from Schools Block	1,400,000	668,684	698,073	751,827	
Early Yrs SEN Inclusion Fund	120,000	120,000	120,000	120,000	
Other DSG savings	510,799	700,212	374,848	201,724	
In-Year overspend /(saving)	1,847,126	1,627,747	(571,342)	(1,614,681)	
	-	-			
Cumulative Deficit	4,423,846	6,051,593	5,480,251	3,865,570	
	-	-	-	-	
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.).					

DELIVERING BETTER VALUE PROGRAMME

22. A detailed description of the Delivering Better Value Projects was included in the previous report. Working groups have / are being established with initial meetings taking place over the coming weeks. Further updates will be available on progress of the work in future School Forum meetings.

NATIONAL SEND and AP CHANGE PROGRAMME

23. We are part of the North East Change Programme Partnership (CPP) – one of 9 made up of a geographical cluster. In the North East these are ourselves, Hartlepool, Gateshead and Durham.

24. The CPP is led by a Lead LA, in the North East this is Hartlepool (identified through publicly available data and appointed via an expression of interest.)

25. We are currently in the 'set up' phase, putting in place the governance arrangements and plans to be able to deliver the Change Programme within the North East. This will include our partners from health, schools and families

26. These arrangements will enable us to develop, test and refine the reforms set out in the SEND Improvement Plan and build the evidence base to determine whether reforms deliver both the system and culture changes needed to

improve outcomes and experiences for children and young people with SEND or in AP and their families.

RISK

27. There are a number of key challenges for the Council in meeting its statutory duty to secure, as far as is possible, sufficient provision for children with additional needs:
- a. Demand for places currently significantly outstrips supply;
 - b. The market is currently provider led
 - c. The market is increasingly becoming dominated by similar types of provision, driven by financial considerations and the impact of regulation;
 - d. Securing the right provision for the right price
 - e. There are emerging challenges for both public and private sectors around finding sufficiency quality staff to support provision;

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

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