

SCHOOLS FORUM – 16TH MARCH 2022**SEN – HIGH NEEDS BLOCK ALLOCATION 2022-23****Introduction**

The purpose of this paper is to advise Schools Forum members of the allocation of the High Needs Block (HNB) for 2022-23 and seek any comments they may have.

Current position

The 2022-23 indicative High Needs Block allocation issued by the DfE shows an allocation to NELC of £26.467M which is an increase of £2.590M on the 2021-22 allocation. This is before EFSA recouplement.

Whilst this further increase in funding is significant and welcomed it needs to be noted that demand is increasing, and financial pressures are still a challenge. Of this increase an amount is included of £351k in respect of the mainstreaming of the teacher pay and pension grants for AP and special schools that will be passported direct to them.

Current spend projections and demand has further increased in 2021-22 and an in year DSG Contingency Account deficit of around £1.5M is currently being projected. This projection is subject to some assumptions and estimates and the position won't be fully known until the year end.

Whilst the additional funding is welcomed it does not remove the in year financial challenges of the High Needs Block and the financial pressures it has faced since 2017-18 as both demand and complexity of need have increased significantly during this time period.

A table showing the movement in EHCP numbers is shown below:

<u>Academic Year</u>	<u>Cumulative Number of EHCP's</u>	<u>% Increase on previous years (NELC)</u>
2014-15	536	
2015-16	563	4.6
2016-17	639	13.7
2017-18	760	19.4
2018-19	892	17.2
2019-20	1,040	16.6
2020-21	1,206	16.0

The number of children with an EHCP as a percentage of the school population locally, nationally and regionally are shown in the table below:

Academic Year	National %	Regional %	NEL %
2015/16	2.8%	2.3%	2.0%
2016/17	2.8%	2.4%	2.1%
2017/18	2.9%	2.6%	2.3%
2018/19	3.1%	2.8%	2.7%
2019/20	3.3%	3.0%	3.1%
2020/21	3.6%	3.2%	3.5%

A significant proportion of spend is on out of area more expensive provision and in 2020-21 amounted to £6.3m out of a total spend of £16.0m (39%). In 2021-22 spend is currently projected at £6.6m. This level of spend and year on year increase is unsustainable. Unless this level of spend can be reduced and as many children as possible educated in mainstream the financial challenges on the high needs block will remain and there is an urgent need to speedily implement identified actions to address these.

At the 31st March 2021 the DSG Account (formerly known as the Contingency) reported a cumulative deficit of £761k. Current in year projections are indicating that the cumulative deficit will increase to £1.5m by the 31st March 2022.

As a result of the above it is likely that we may be requested to produce a DSG Recovery Plan which lays out how this will be brought back into balance over a reasonable timeframe. Whilst discussions and proposals discussed would feed into this future demand and complexity may mean we need to find further solutions. **It should be noted that there is no requirement for the Council's general fund to meet any deficit and the DSG as a specific grant must balance.**

Given that the significant proportion of High Heeds Block is passported to providers then options become more complex. As stated at earlier forum meetings this would include discussions around a top slice from the Schools Block should this still be an option. **Indeed, a top slice cannot be ruled out for 2023-24 should DfE regulations still permit this.**

In determining the allocation for 2022-23 then we have had to be mindful of the following:

1. The financial position of the DSG Account and the projected outturn position.
2. The increase in demand and complexity of need
3. Current spend commitments.
4. The provider market in respect of price / rate uplifts.
5. The need to facilitate mainstream pupil inclusion.to prevent more expensive packages.

In respect of the allocation of the High Needs Block for 2022-23 then following the additional funding and in year actions we have managed to set a balanced position in that unlike previous years no over allocation is projected. Whilst this is a significant step forward it needs to be noted that this doesn't make in-roads into the cumulative deficit currently projected at £1.5m.

The financial position remains serious and the only way out of it is to keep as many pupils as possible in mainstream education to avoid more expensive packages of education. Where children are unable to remain in mainstream education then the supply and location of appropriate and specialist provision needs to be created. If these options do not resolve the financial challenge and bring the DSG Account back into balance then, if allowed, a top slice of the school's block cannot be avoided.

Summary of the Main changes

Appendix 1 shows the proposed allocation for 2022-23. The main changes are detailed below:

Agency Placements

Increasing demand together with the age extension from 19-25 is leading to an increase in provision and funding pressure for young people with the highest needs, who often require bespoke packages of education with associated high costs. It is evident from recent tribunal experience and intelligence from other local authority's experiences that this is a national pressure.

The council continues to monitor this area of spend and where possible looks to reintegrate our young people back into the mainstream setting and/or to lower cost placements where there would be no material dis-benefit for the child / young person.

Due to demand exceeding supply in respect of provision this cost spending pressure will increase unless there is active management. As stated above in 2020-21 the spend amounted to £6.3m out of a total spend of High Needs Block allocation of

£16.0m (39%). In 2021-22 spend is currently projected at £6.6m. In respect of 2022-23 a proposed allocation of £6.8m has been projected.

Special / Mainstream School Banding Value Top Ups

Demand pressures continue to be experienced across both special and mainstream sectors although the commissioned place numbers in special schools were kept the same as in 2021-22 for the 2022-23 academic year.

Top Up rates were increased in 2020-21 by 7% and a fixed cost payment to special schools at the same amount that is paid to schools was introduced. For the 2021-22 academic year a 1.7% increase in top up rates was made together with an increase in the fixed cost payment in line with those received by mainstream schools.

Given the concern with the banding system the increases detailed above were on top of the previous year's payment with no adjustment made for actual place numbers.

For the 2022-23 academic year a slightly different approach has been adopted in respect of the funding for the special academies. Discussions were held with both of our special academies with the view of moving towards an average amount per pupil. The result of these discussions is that in respect of the autism school a 2% uplift has been made on the current year payment which slightly exceeds the average amount *number of commissioned places total. In respect of the physical disabilities school whilst we are not yet able to meet the average cost amount calculated significant in-roads to meeting this have been made and an increase of 11% on the current year payment is proposed to be made.

In respect of the current banding values, it is proposed that these are maintained for mainstream school payments and that these values are increased by 3%

Alternative Provision

No changes to place numbers were commissioned as part of the high needs place return submitted in November 2021 for the 2022-23 academic year. In respect of the top up rates these were increased by 5.6% and 1.7% in the current and previous academic years. An increase in the top up rate of 5.9% is proposed for the academic year 2022-23.

Within the current financial year the Council commissioned an additional 16 places for primary pupils. This cost has been factored into the 2022-23 allocation.

Post 16

The allocation has had to be significantly increased as a result of the previous year merger of the East Riding College into the TEC Partnership and further additional places being commissioned. Some of this increase will be mitigated through the import / export adjustment lagged funding process.

Early Years SEN Inclusion Fund

No change in the allocation for this spend is proposed in 2022-23. There is always likely to be excess demand in this area and as such criteria will need to be constantly reviewed so budgets are targeted to where the need is greatest.

As is previous years this budget activity can either fit under high needs or early years and due to spending pressures within the high needs block in order to try to mitigate the deficit on the DSG Account any underspends on the EY Block will be used to offset this area of High Needs spend.

ASD Provision

Following a number of in year discussions as a result of only one child accessing this provision and the prospect of no new children requiring to access this provision it was decided to no longer commission places in the new academic year, 2022-23. As a result, no further payments will be made from September 2022 onwards

BAC's Income

Income from the BAC's process continues to be collected where permanent exclusions occur. Over time decisions have been made by the Schools Forum to allocate some of this to fund specific activities. This includes a mixture of staffing, additional alternative provision places, other provision in addition to the contribution to the Behaviour Service Team and more recently it was agreed to contribute an element of this income to fund a group of staff within the Localities team.

This funding was severely reduced during the pandemic and it is no longer realistic to include it at its former levels. Following a discussion with the service and based on current 2021-22 activity it has been decided to build in an amount of £500k. There is an element of risk with this estimate given the changes post COVID pandemic.

Pupil Inclusion Fund

This allocation was introduced in 2020-21 and is to be retained in 2022-23 but at a reduced amount of £60k. Whilst it is still a developing concept it is considered key to reducing more expensive placements as "a spend to spend less" concept. Unless spend can be freed up and children retained in mainstream school the model of increasing agency spend will be perpetuated. This approach is no longer financially affordable or sustainable. Whilst the amount has been reduced should opportunities

present themselves then individual cases will be considered and supported, where possible, if they offer value for money.

Central DSG Contingency projected position

Based on the above the projected position on the DSG Account is detailed in the table below:

	<u>£'m</u>	<u>£'m</u>
b/f as at the 1 st April 2021		(0.762)
Projected DSG 2021-22 overspend	(0.800)	
Projected DSG Account deficit as at the 31st March 2022		(1.562)
Projected 2021-22 gross HNB over allocation	NIL	
Projected DSG Account deficit as at 31st March 2023 (subject to the allocations not being breached)		(1.562)

The above projected position is based on current known estimates at this time.

Local Authority Actions

The Local Authority is undertaking a number of actions to try to contain spend on the High Needs Block. The current position on these is as follows:

- Discussions have been undertaken with the Regional School Commissioner's (RSC) Advisory Board, seeking ideas and support for secondary provision for those young people with SEMH as a primary need.
- A recent secondary school 'summit' meeting was undertaken, following the RSC advice, at which support and commitment was given by all heads teachers to the inclusivity agenda.
- Contract and procurement spending review of providers is underway via the new Children's Commissioner.
- The development of primary resource-based provision to support our schools with children with additional needs,

The creation of a Schools Forum Working Party focusing on the HNB spend and ways in which we can further developing inclusivity in both primary and secondary settings; primary resource-based provision and potentially a Free School (or similar) for our secondary SEMH cohort.

The Together for All Board are planning a conference with partners in July 2022, an area of focus will be SEND and Inclusion.

The DfE have launched a new initiative called 'Delivering Better Value' to help Local Authorities understand and manage the DSG and any potential deficits. This is an initiative that the Local Authority would seek to join should the opportunity present itself.

Overall conclusions

Appendix 1 and the contents of this report present what is still a challenging position in terms of the DSG Account. Whilst it is encouraging that there will be no planned over allocation of the high needs block in 2022-23 it is fully allocated which means there is no in year contingency if allocations are exceeded. In addition, no in-roads have been made into the deficit position. The actions discussed above are a positive step forward but are not quick wins.

The current position particularly in respect of agency placements is financially unsustainable. To reduce the financial pressure, it is vital that children are retained in mainstream settings as far as possible and where specialist provision there is sufficient supply to avoid high cost placements as far as possible. Should these strategies not be sufficient then the future top slice of the Schools Block, should this be permitted by the DfE cannot be ruled out.

Supplementary Funding

In addition to the High Needs Block allocation it was announced on the 16th December 2021 that the Council would receive an additional £978k for 2022-23 only to meet additional and unforeseen costs when the DSG allocations were set. This additional payment was predominantly to meet the additional costs around the Health and Social Care Levy and other additional costs incurred by the LA, Special Schools and AP sector.

Parallel to this it was also announced that Schools would receive additional funding calculated on a set rate across certain criteria.

Currently it is not known what calls there will be on this additional funding therefore it is proposed to make a one off payment to the Special Schools and AP provision at a rate to be received by schools.

Recommendation

Whilst the setting of the High Needs Block allocation does not require a formal decision from the Schools Forum and the report is for information and noting only it is imperative that the Schools Forum are an active partner in finding solutions and the joint work continues at pace in order prevent the financial deficit position referred to increasing.

In respect of the supplementary grant, it is proposed that a paper is brought to the September meeting of the Schools Forum when calls on this additional funding should be more fully known.

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