

Schools Forum Paper

Title: High Needs Block – proposals for High Needs funding for 2022/23

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Role: Assistant Director – Inclusion
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Date: 16 February 2022

Intended audience:

Internal

Partner organisation

Public

Confidential

Purpose

This paper provides context to the high needs funding that is allocated to the Local Authority and how the Local Authority is proposing to distribute the funding to providers and services.

Background

The conditions of the Dedicated Schools Grant (DSG) are prepared by the Education and Skills Funding Agency (ESFA) to assist local authorities in the operation of the DSG which is payable to local authorities under section 14 of the Education Act 2002.

The DSG is split into 4 Blocks

- Schools Block
- Central School Services Block
- High Needs Block
- Early Years Block

2022/23 is the fifth year of the national funding formula (NFF) for schools, high needs, and central school services. The ESFA have used the NFF to calculate the blocks within the dedicated schools grant (DSG) which was allocated to local authorities on 16 December 2021.

DSG High Needs Block Allocation for 2022/23

The methodology underlying the allocation of high needs funding to individual local authorities can be found in the [DSG technical note 2022 to 2023](#).

The High Needs Block is a single block for local authority pupils and students with special educational needs (SEN) and disabilities (SEND), from age 0 to 25, and alternative provision (AP) for pupils who, because of exclusion, illness, or other reasons, cannot receive their education in mainstream schools.

The High Needs Block provides local authorities with resources for place funding and top-up funding for institutions, as well as funding for high needs services delivered or commissioned by the authority or under a separate funding agreement with institutions (including funding devolved to institutions), as permitted by regulations.

The 2022/23 final allocation for Somerset is presented in the table below and shows an overall increase of £6.3m (11%).

Table 1 – High Needs Block Allocation 2022/23

The table compares the 2022/23 allocation to the current year allocation post recoupment¹.

2021/22 £m	2022/23 £m	Increase £m	Increase %
57.8	64.1	6.3	11.0

Following the spending review in autumn 2021, an additional £325m nationally has been allocated for high needs in 2022/23. This supplementary grant is on top of the DSG high needs block allocations but are subject to the same DSG conditions of grant. This extra funding recognises the additional costs that local authorities and schools 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. The additional funding also considers that colleges and other providers offering extra hours of study to students with high needs may require extra high needs top-up funding to support those students.

The supplementary grant funding is £2.7m for Somerset.

Distribution of the High Need Block 2022/23

Local authorities decide how much to set aside in their high needs budget for place and top-up funding given to institutions, central high needs services (which may be devolved to schools or other institutions and funded through a service level agreement), and other aspects of provision related to SEND and AP as permitted by

¹ The allocation is post recoupment for academies and free schools funded directly by the ESFA

the School and Early Years Finance Regulations and set out in the [High needs funding: 2022 to 2023 Operational Guide \(January 2022\)](#).

The Somerset High Needs Block has, as in many other parts of the country, been under increasing pressure for some years. Somerset County Council and Somerset schools are jointly committed to ensuring the DSG deficit is managed in year.

A review of the deficit management plan (DMP) was undertaken by the DMP Group, and an update was presented to Schools Forum at the November 2021 meeting. A DMP Briefing Paper was agreed with the DMP Group and submitted to the ESFA in November 2021 and is attached in Appendix 1.

The recently reformed High Needs Sub Group will consider long term strategies and planning for high needs and monitor the implementation of the DMP priorities and progress against the targets.

The priorities and targets for Somerset's DMP are set out in the briefing note (Appendix 1) and formed part of the presentation to Schools Forum at the November meeting.

These priorities and the targets are reflected in the proposed high needs budgets for 2022/23 which were presented to the High Needs Sub Group on the 01 February 2022. The proposed budgets for 2022/23 are presented in Appendix 2. This appendix relates to the High Needs Block allocation only.

The proposal for distribution of the Supplementary Grant of £2.7m is:

- to increase high needs bandings for top ups by 3% to help providers with the additional costs of the Health and Social Care Levy and other cost pressures
- to increase budgets for central support services to cover the additional costs of the Health and Social Care Levy
- to set aside the balance of supplementary grant to undertake a detailed piece of work that will consider the longer-term impact of these 2022/23 decisions on the Somerset DMP. This prudent approach is critical whilst there is uncertainty over the treatment of the supplementary grant beyond 2022/23.

Consultation with Schools Forum

Schools Forum are asked to consider and give their views on:

- The overall allocation of High Needs funding for 2022/23, including proposals for allocation of the supplementary grant.
- The approach taken to management of the High Needs Deficit, including the priorities identified within the Deficit Management Plan (Appendix 1):

- Reducing the High Needs Block subsidy to schools for commissioning non-statutory SEN support provision
- Focusing resources and investment on effective early identification and intervention to enable children to access the right support at the right level at the right time and reduce demand on statutory/ specialised services
- Ensuring sufficiency of special educational provision that is financially sustainable and enables children to access local inclusive provision wherever possible.

Next Steps

Following this Schools Forum meeting, the budgets will be finalised and communicated to providers by the end of February 2022.

A task and finish group will be set up immediately to update the Somerset DMP to take account of

- recent funding announcements from the DfE
- final decisions on the distribution of high needs funding for 2022/23
- latest activity, unit costs and expenditure assumptions
- the longer-term impact of the proposals to increase high needs bandings for top up, and
- options to distribute the remaining balance of the supplementary grant.

This group will report to the Assistant Director for Inclusion and will consult with the High Needs Sub Group.

Briefing note

Title:	DSG Deficit Management Plan – proposals for High Needs Spending		
Prepared by:	Rob Hart	Role:	Assistant Director - Inclusion
		Date:	29 October 2021
Intended audience:	Internal	Partner organisation	Public
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			Confidential <input type="checkbox"/>

Purpose

This briefing provides an overview of priorities and proposals in relation to high needs spending to support the development of Somerset’s Deficit Management Plan for the Dedicated Schools Grant (DSG). It contains analysis of key data relating to drivers for high needs expenditure, and outlines priorities and associated actions to manage high needs spending over the next three years.

Background

The Dedicated Schools Grant (DSG) is a ring-fenced grant that provides each local authority with an allocation of funding for schools and services for pupils. It comprises four “blocks” of funding: schools block; central school services block; early years block; and high needs block (HNB). Over recent years, there have consistently been in-year overspends on the high needs block, resulting in an accrued deficit in this block, as shown in the table below.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m**
HNB allocation	-48.1*	-47.4*	-52.6*	-57.6
Expenditure	49.4	54.0	58.7	63.2
In year deficit	1.4	6.5	6.1	5.6
Cumulative deficit	7.5	14.0	20.1	25.7

* Includes funding transfer from other blocks

** forecast

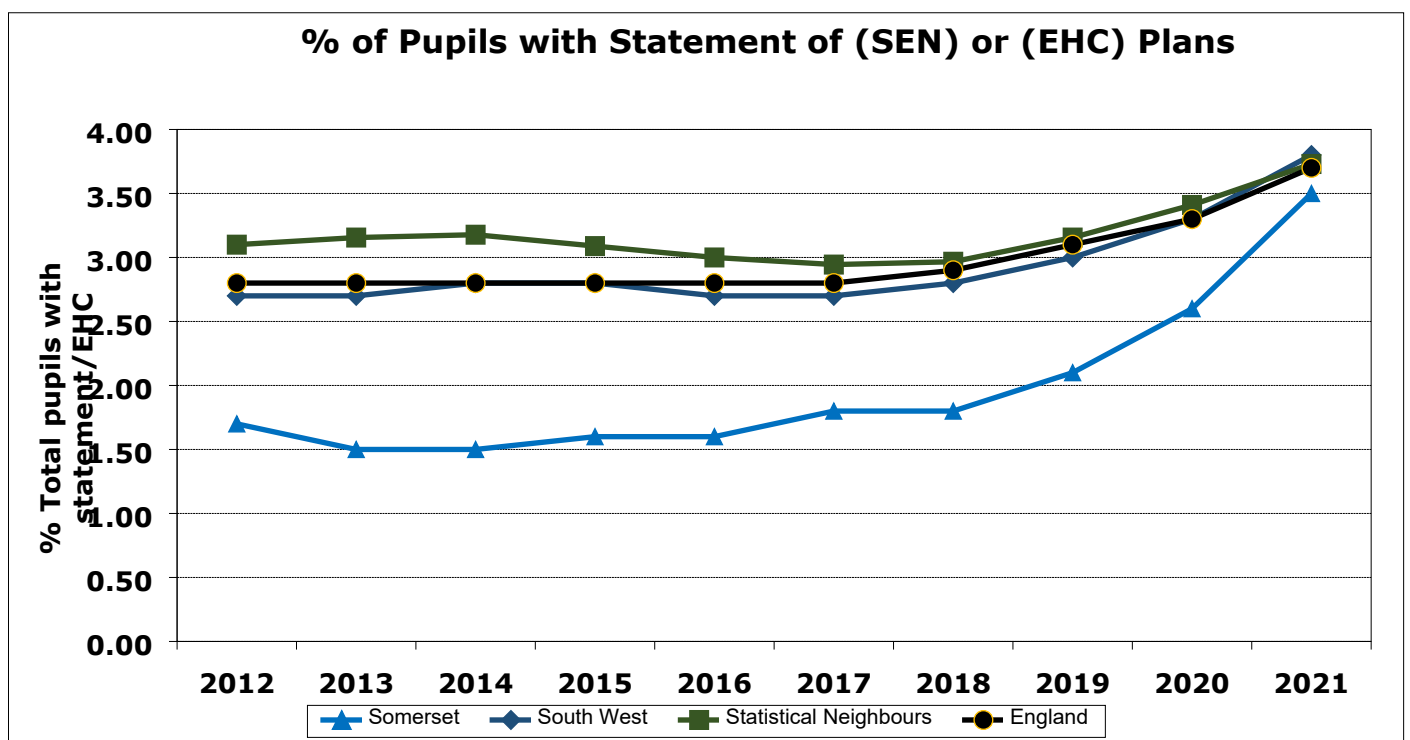
Approximately 89% of high needs spending funds placements in education settings, through place funding and top-up funding for mainstream schools, maintained special schools and academies, statutory places at pupil referral units, autism resource bases, and independent non-maintained special schools (INMSS).

The remaining 11% of high needs spending funds support services and provision, the majority of which is non-statutory. This includes special school outreach, behaviour partnerships, SEND advisory services, and learning support services.

Key data relating to high needs activity and expenditure

Education, health and care plans

Following a period with low and stable rates of statements/ EHC plans, Somerset has experienced a marked increase in the number of children and young people with an education, health and care (EHC) plan since 2018, as shown in the graph below.

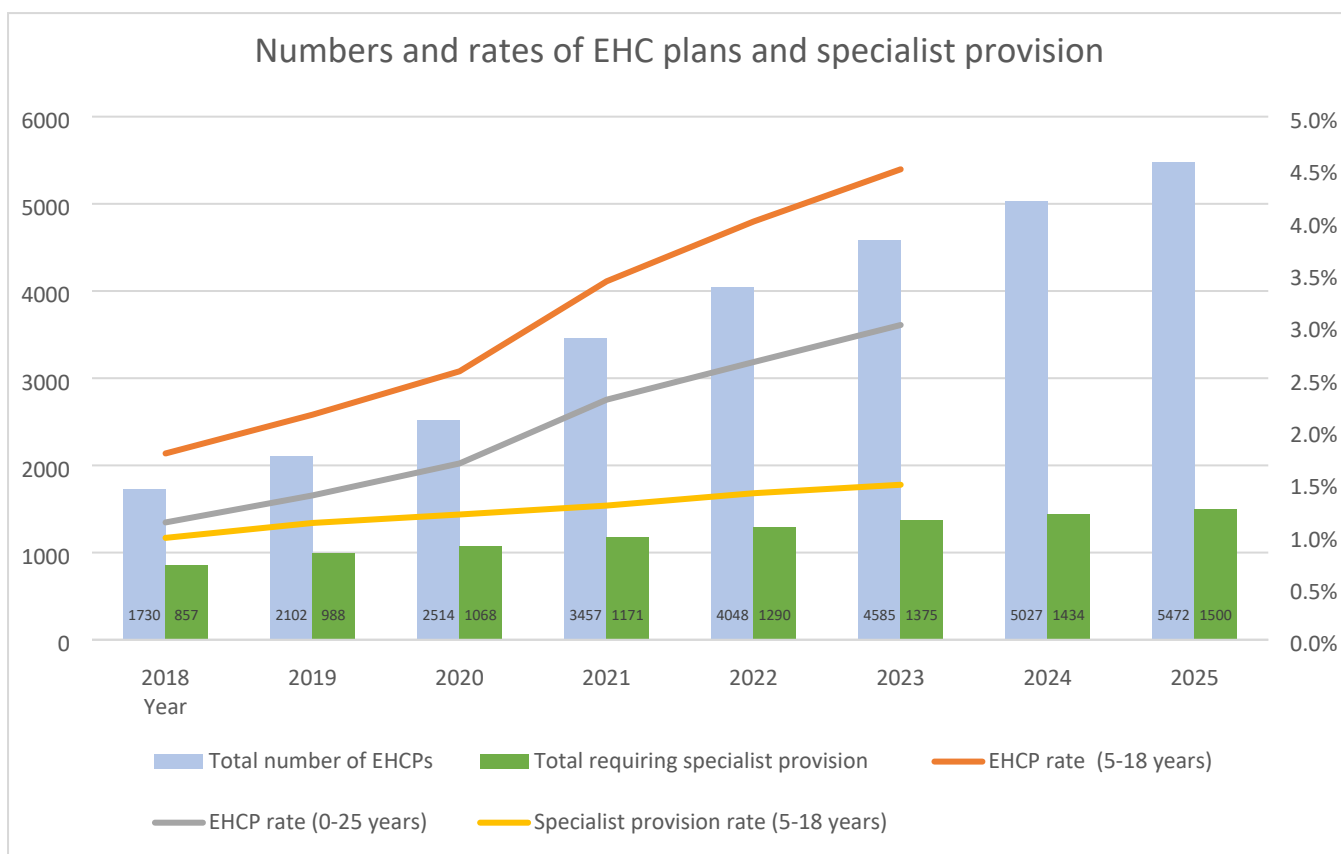


In part this is a result of a change in policy from a model where mainstream schools could access high needs funding for some pupils without the need for an EHC needs assessment, resulting in comparatively low numbers of EHC plans overall. However, this meant that funding was allocated for provision for many children and young people without being based on an assessment and without an agreed plan of support. This approach was changed in 2019 so that an EHC plan is now required for high needs funding to be allocated to support a child, and since 2019 the County Council has taken a staged approach to transferring children and young people from the high needs funding model to an EHC plan, where appropriate. While this shift in practice accounts for some of the increase in numbers of EHC plans, it does not account for it all.

Indeed, nationally there has been an increase in the proportion of pupils with an EHC plan, from 3.0 per cent in 2017/18 (academic year) to 3.8 per cent in 2020/21. Over the same period the proportion of pupils with an EHC plan in Somerset has risen from 1.8 to 3.3 per cent.

School placements for pupils with an EHC plan

The graph below shows the recent changes in the number, rate and placement type of EHC plans in Somerset as well as projections for changes in future years. At the start of 2018, Somerset County Council maintained 1,730 EHC plans. Around half of these (857) were for children and young people attending a specialist setting (maintained special school or academy, pupil referral unit, independent non-maintained special school, or specialist resource base/SEN unit). At the start of 2022, we expect to maintain over 4,000 EHC plans – an increase of 136 per cent in four years. Around one third of these (1,290) will be for a child or young person attending a specialist setting. Although the proportion of EHC plans which name specialist settings is falling, the overall proportion and number of children and young people accessing specialist provision has increased from 857 pupils (0.97 per cent of 5–18-year-olds) in 2018 to 1,290 pupils (1.40 per cent of 5–18-year-olds). This rise is forecast to continue, so that there would be 1,500 pupils with an EHC plan in specialist provision in 2025 (approx. 1.6 per cent of 5–18-year-olds).



In 2019 Somerset County Council developed a Deficit Recovery Plan. One key element of this was a capital build programme to add 436 special school and resource base places from between 2020/21 and 2022/23. Delivery of this programme has been successful as far as most projects have been delivered as planned (there have been some delays with delivery of places to make provision for pupils with social, emotional and mental health needs). However, the data in the table below shows that this increase in local maintained specialist capacity had not achieved its original intention of reducing Somerset’s reliance on expensive independent special schools.

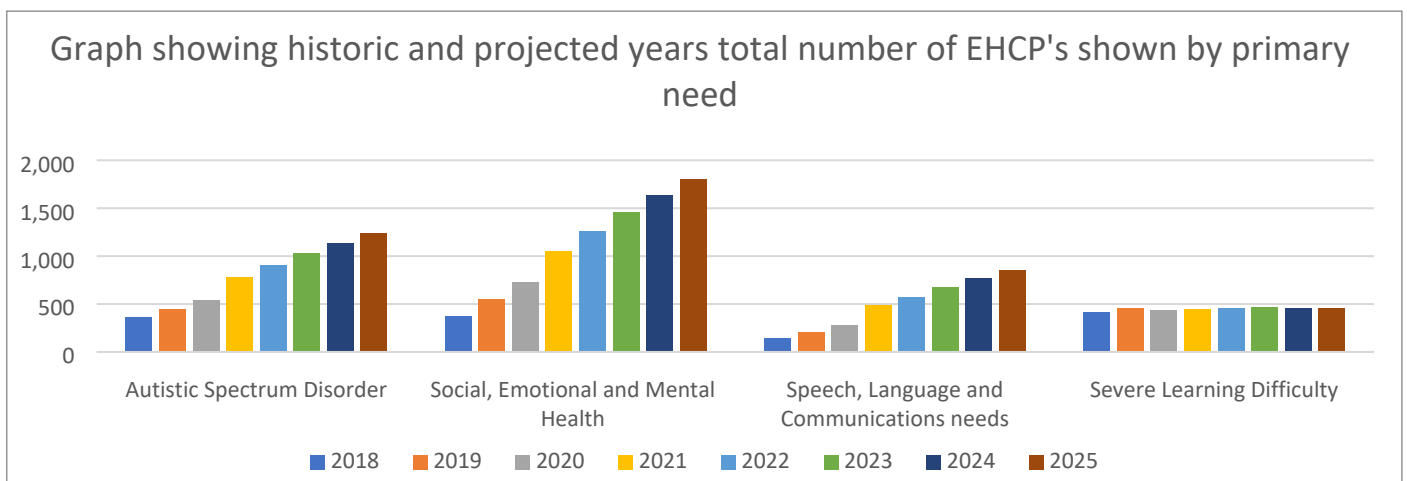
Type of provision	2018	2019	2020	2021	2022*	2023*	2024*	2025*
Resourced Provision or SEN Units	42	67	87	99	129	125	138	138
Maintained special school/ academies	633	709	758	823	917	951	965	1,049
Hospital schools or Alternative Provision	19	38	30	39	44	49	52	57
NMSS or independent schools	163	174	193	210	200	250	279	256
Total	857	988	1,068	1,171	1,290	1,375	1,434	1,500

* Forecast

In 2018 there were 694 pupils with an EHC plan in a specialist place in a maintained setting (i.e., resource base, special school or PRU). At the start of 2022 there will be 1,090 pupils with an EHC plan in maintained specialist places. During the same period the number of pupils in independent non-maintained special schools has risen from 163 to 200. So, rather than reducing overall reliance on independent specialist provision, the impact of the capital building programme has been to slow the growth in use of independent specialist provision. This is because during this period there has been overall growth in the proportion of pupils requiring specialist education placements. When the capital building programme was initiated, the underpinning assumption was that 1.0 per cent of children would require a place in specialist setting; currently, 1.4 per cent of children are in a specialist setting, and this is forecast to increase to 1.5 per cent in the near future.

Pupil characteristics

Currently, the four most common areas of primary need for pupils in Somerset special schools are (in descending order): severe learning difficulties; autism; social, emotional and mental health (SEMH); and speech, language and communication needs (SLCN). The graph below, shows historic and projected EHC plan numbers for these areas of need.



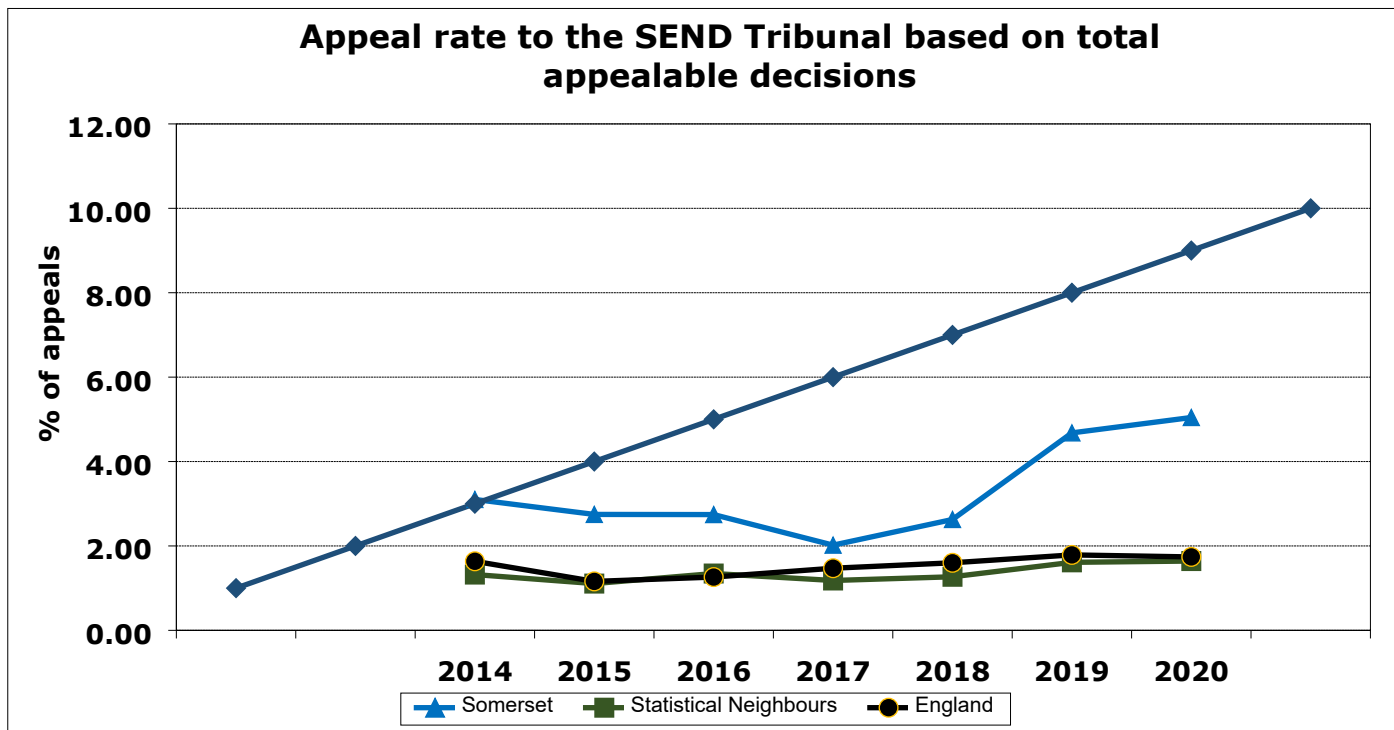
In 2018, the most common type of primary need for a pupil in a special school was severe learning difficulty (SLD). However, as the graph indicates, while rates of SLD have remained and a forecast to be relatively stable, the same is not true for other categories of need. Indeed, there have been significant increases in the numbers of pupils with autism, SEMH and (to a lesser extent) SLCN as a primary need.

It is these areas of need that primarily account for increasing use of independent specialist provision. At the start of 2022 it is forecast that there will be 200 pupils in independent non-maintained special schools. Of these, 53 per cent will have a primary need of social, emotional and mental health, and 21 percent will have autism as a primary need.

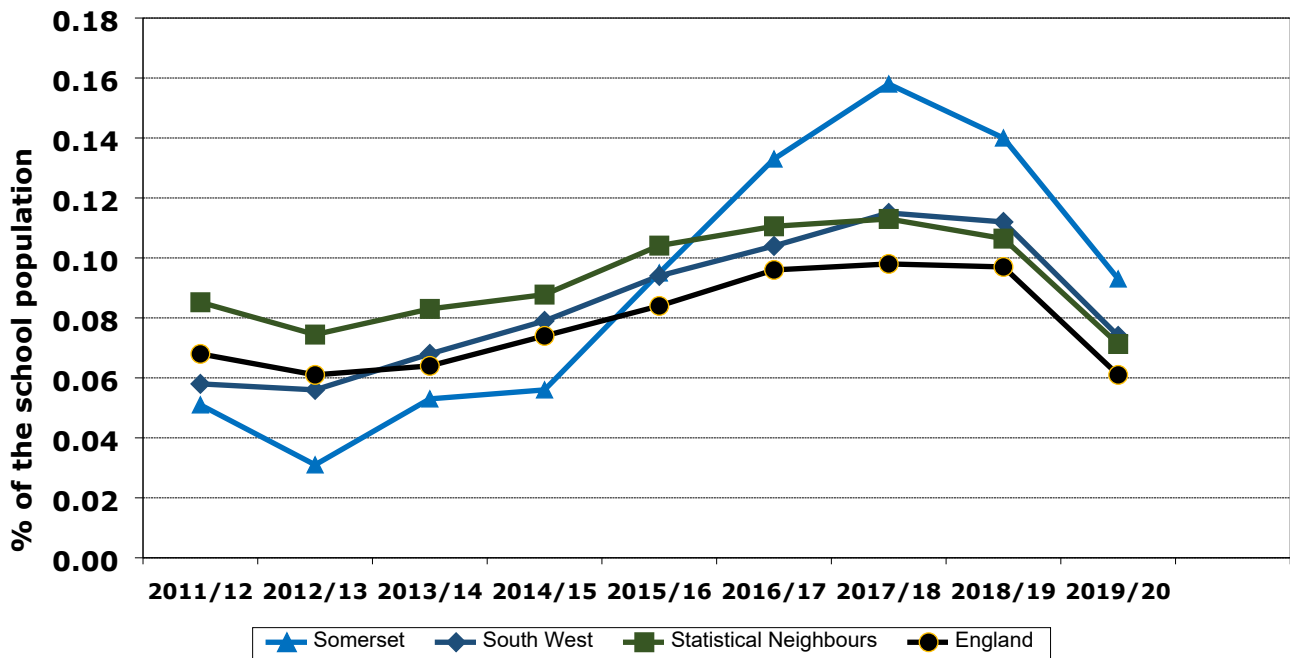
Typically, there are more children who require specialist provision later in their educational journey. There are typically 60-70 per cent more pupils aged 11-15 in special schools than aged 5 to 10. For independent non-maintained special schools there are three to four times as many 11–15-year-olds as there are 5–10-year-olds.

Additional factors – tribunals and exclusions

Two factors that are closely linked to pressures on high needs budgets are tribunals and exclusions. For both, data suggest that Somerset’s performance is poor in relation to national, local and statistical comparators.



Total Permanent Exclusions from school as a % of the school population



The graph above shows the rate of appeals to SEND tribunal, which have historically been higher than average in Somerset and have risen markedly in recent years. Tribunals are an indicator of parental satisfaction with the SEND system. Analysis of Somerset’s tribunals has shown that most appeals relate to decisions about what type of educational provision is named in an EHC plan, which suggests that parents lack confidence that the provision offered will meet the needs of their child.

Permanent exclusions can also impact high needs spending in two ways. First, when a child with an EHC plan is permanently excluded it can often lead to a need for placement in independent specialist provision, as specialist provision is required which cannot be commissioned in a planned way (as would happen in the event of an annual review/ phase transfer). Second, all pupils who are permanently excluded require education provision which is funded from the high needs block until a suitable long-term placement is identified. The graph below shows that since 2016/17 Somerset’s rate of permanent exclusions has been higher than comparators. While the fall in the exclusion rate for 2019/20 is welcome, it is important to note that this is for a year which included significant periods of school closures due to the COVID-19 pandemic, and so there were lower numbers of permanent exclusions nationally. Somerset would need to maintain its COVID-impact 2019/20 rate to be in line with the pre-COVID national average for permanent exclusions.

Priorities for Somerset’s DSG Deficit Management Plan

To summarise, analysis of forecast and trend data in relation to SEND in Somerset suggests the following key challenges:

- significant growth in the overall number and proportion of children and young people with an EHC plan;
- growth in the number of pupils with social, emotional and mental health needs, autism, or speech, language and communication needs;
- growth in the proportion of all pupils requiring provision in a specialist education setting.

To respond to these challenges, Somerset’s Deficit Management Plan will focus on three key priorities, as summarised in the table below.

Priority	Explanation	Specific actions
Reduce the High Needs Block subsidy to schools for commissioning non-statutory SEN support provision	Historically, in Somerset the HNB has funded support and provision for children who do not have an EHC plan, such as school-commissioned alternative provision and provision SEN support.	<ul style="list-style-type: none"> • Implement charges for school-commissioned PRU placements, to cover costs of top-up funding. (PC) • Review Learning Support offer to identify scope for operation as a traded service. (EW) • Review offer from Autism teams to identify activities that could be traded to allow more capacity for targeted work to support inclusion of pupils with autism. (JPR)
Focus of resources and investment on effective early identification and intervention to enable children to access the right support at the right level at the right time and reduce demand on statutory/ specialised services	Where HNB funding is used for non-statutory support and provision it needs to be focused on addressing key challenges	<ul style="list-style-type: none"> • Embed a consistent and effective SEN Support pathway so that needs are identified and provision made, so that EHC needs assessments only happen after appropriate SEN Support has been made (EW).

		<ul style="list-style-type: none"> • Establishment of Locality Inclusion Partnerships to support a joined-up approach to commissioning support at the right time to prevent exclusion and escalation (PC). • Development of targeted early intervention from Educational Psychology to reduce demand for EHC plans and exclusions (JPR) • Roll-out of collaborative outcome meetings to support co-production, so that families feel included and heard, and disagreements are resolved at the earliest stage (CMJ)
<p>Ensuring sufficiency of special educational provision that is financially sustainable and enables children to access local inclusive provision wherever possible.</p>		<ul style="list-style-type: none"> • A coordinated and targeted approach to building capacity within mainstream schools to support children with autism or SEMH needs (JPR). • Develop partnerships between local special and mainstream schools to establish models for flexible, inclusive specialist provision (CMJ). • Ensure accurate pipeline data is available to support a focus on individualised planning from an early stage (TA)

		<ul style="list-style-type: none"> • Continue to make use of commissioned PRU provision for pupils with EHC plans as part of a "local first" approach (PC/ CMJ) • Continue implementation of capital programme (PC) • Review School Access Initiative and use of SEND capital funding to ensure it maximises impact for SEND sufficiency (PC/ CMJ)
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The expectation of addressing these priorities and completing these actions is that it will lead to improvements in certain key indicators of demands or effectiveness of the SEND system. To support the delivery of the DMP, the following goals or targets will be set, which can inform planning and be used to measure the impact of DMP mitigations.

	Current position	2023/24 Goal	Milestones	Lead responsible officers
Permanent exclusions	2019/20 rate = 0.093%	Rate is below national average for 2018/19 - <0.097%	For 2022/23 rate is below SW average for 2018/19 - <0.112%	Phil Curd, Jenny Pearce-Riddy
Referrals for EHC needs assessments	2020/21: 1,034 referrals	750 EHC needs assessments	21/22: 900 22/23: 800	Jenny Pearce-Riddy, Emily Walters
EHC plans	Jan '21: 3,457 EHC plans	<4,750 EHC plans (current forecast is 5,027)	Jan '22: 4,300 Jan '23: 4,750	Claire Merchant-Jones
Specialist education	Maintained: 961	Maintained: 1,217 (forecast)	Jan '23 - Maintained:	Phil Curd, Claire

	Current position	2023/24 Goal	Milestones	Lead responsible officers
placements	INMSS: 210 Total: 1,171	1,155) INMSS: 172 (forecast 279) Total: 1,389 (forecast 1,434)	1,178 (forecast 1,125) INMSS: 186 (forecast 250) Total: 1,364 (forecast 1,375)	Merchant-Jones
Tribunals	2020 Tribunal rate: 5.0%	Tribunal rate is below 2% of appealable decisions	2022: 4.0% 2023: 3.0%	Claire Merchant- Jones, Jenny Pearce-Riddy

Financial implications

Using forecasts of future demand for services and provision funded through the High Needs Block, we have modelled future financial implications of continuing to make provision without any mitigations as well as the impact of mitigating actions outline above.

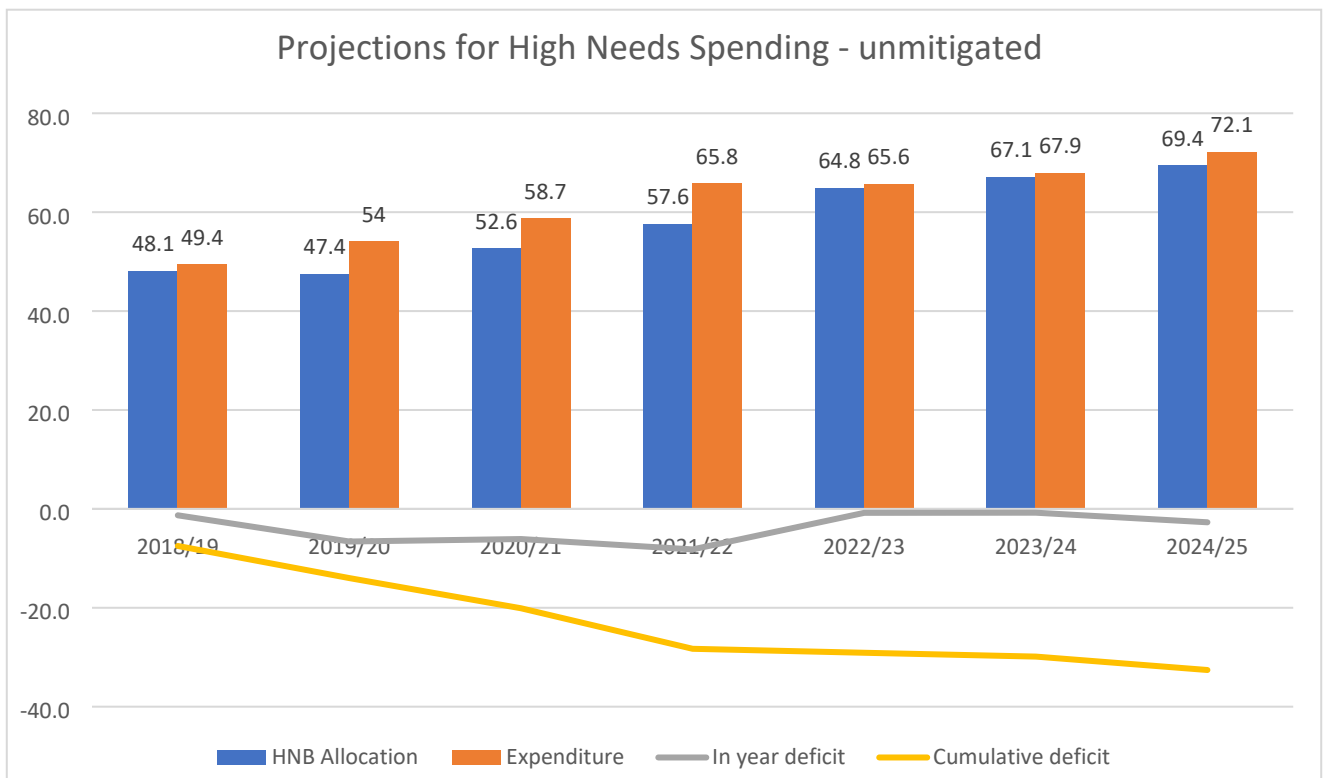
The table below shows forecast expenditure for specified areas of high needs expenditure over the next four years. Without any mitigating action we would expect high needs spending this year to total £65.8 million, rising to £72.1 million in 2024/25.

Forecast of high needs expenditure (£ millions) by year, without any mitigating action				
	2021-22	2022-23	2023-24	2024-25
Mainstream	13.3	11.4	12.4	13.6
Resourced Provision or SEN Units	0.4	0.7	0.8	0.8
Maintained Special Schools or Special Academies placements	19.7	21.4	22.9	24.4
Non maintained special schools or independent placements	19.9	20.0	20.0	20.9
Hospital Schools or Alternative Provision placements	9.2	8.3	7.7	8.0
Post 16 placements	2.6	3.1	3.4	3.7

LA Specific spending	0.5	0.5	0.5	0.5
Health, Social Care, Therapy Services and Care Provision	0.2	0.2	0.2	0.2
Total Expenditure	65.8	65.6	67.9	72.1

* Direct Payments now included within LA Specific spending, previously included within Mainstream figures

The graph below shows the expected trajectory of high needs allocation and expenditure without any mitigating impact. Based on these forecasts, while the in-year deficit is set to reduce in magnitude from 2022/23, there would continue to be overspends each year, leading to a projected cumulative deficit of £32.5 million by 2024/25. Hence there is a need to implement mitigating actions, as outlined above, to eliminate the in-year deficit.



Projected high needs allocation and expenditure by year (figures in £ millions)

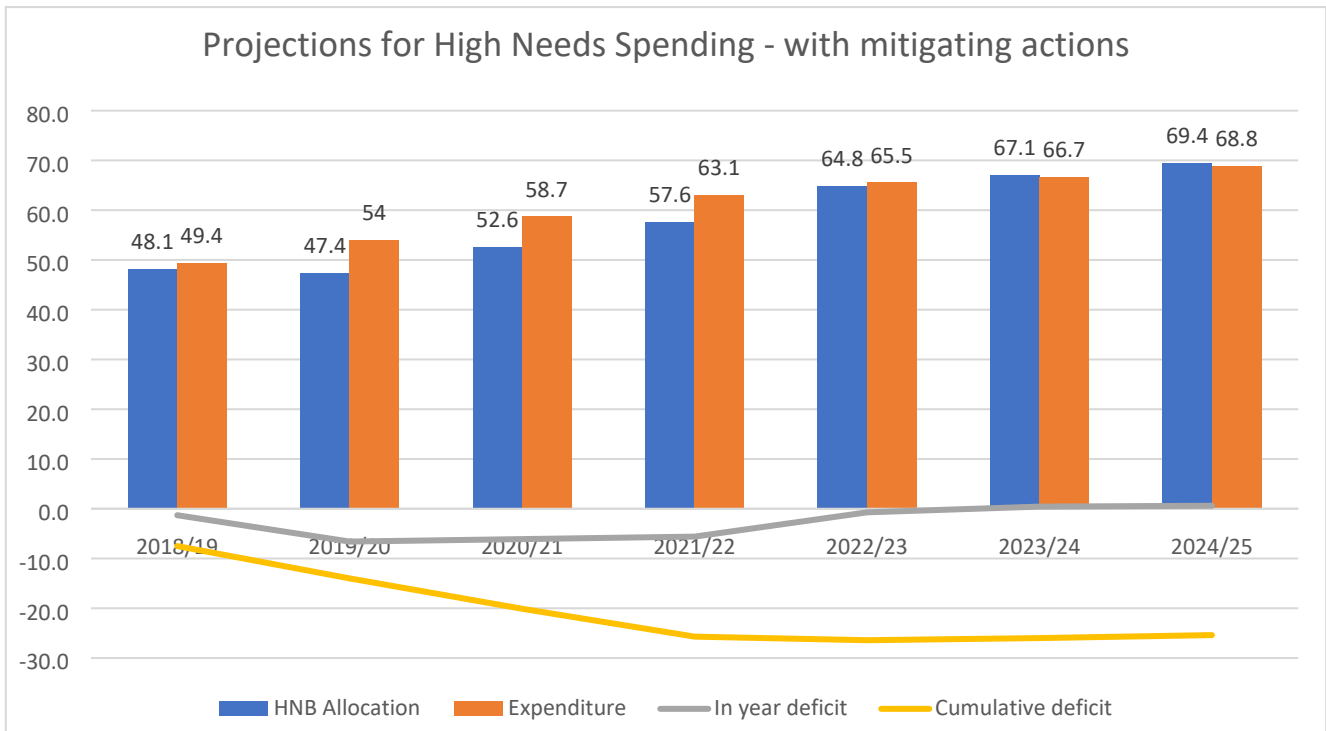
The impact of the above modelling of mitigating actions and targets will be:

- Increase in income from school-commissioned and traded services
- Investment in SEN support on effective early intervention
- Increase in expenditure on maintained placements
- Reduction in expenditure on INMS

Projections for these financial impacts are detailed below.

Forecast of high needs expenditure (£ millions) by year, with mitigating actions				
	2021- 22	2022- 23	2023- 24	2024- 25
Mainstream	11.7	11.8	12.5	13.1
Resourced Provision or SEN Units	0.5	0.5	0.9	1.1
Maintained Special Schools or Special Academies placements	19.3	21.6	23.5	24.9
Non maintained special schools or independent placements	18.9	19.1	17.1	16.6
Hospital Schools or Alternative Provision placements	9.8	8.7	8.5	8.5
Post 16 placements	3.0	3.1	3.4	3.7
LA Specific spending	0.5*	0.5	0.5	0.5
Health, Social Care, Therapy Services and Care Provision	0.2	0.2	0.2	0.2
Total Expenditure	63.8	65.5	66.7	68.8

* Direct Payments now included within LA Specific spending, previously included within Mainstream figures



Projected high needs allocation and expenditure by year accounting for mitigations within Deficit Management Plan (figures in £ millions)

The graph above shows the projected impact of these actions on the in-year and cumulative deficit, which forecasts the elimination of the in-year deficit achieved in 2023/24, and the cumulative deficit stabilised at £26.8 million by 2024/25 – a total projected saving of £5.6 million.

Appendix 2

DSG High Needs Block

	2021/22			2022/23
	Budget	Forecast Outturn	Variance	Proposed Budget
Allocation (post recoupment)	57,791,300			64,149,200
Planned/Actual Expenditure	57,791,300	63,923,600	6,132,300	65,111,200
Variance	0		6,132,300	962,000
Transfer From Growth Fund				-962,000
Variance				0

DETAIL

Description	SRO	2021/22			2022/23
		Budget	Forecast Outturn @ Mth 9	Variance	Proposed Budget
DSG Balance	Julian	-2,500	0	2,500	0
Special Schools (Maintained and Academies)	Claire and Jenny	17,165,800	19,381,700	2,215,900	20,174,500
INMSS & CLA Residential Pre 16	Claire and CSC	13,531,000	16,653,900	3,122,900	16,855,000
Post 16	Claire	5,239,300	5,239,300	0	5,494,200
Mainstream Maintained Schools and Academies	Claire and Kate	8,115,600	8,199,500	83,900	8,297,300
Partnerships	Phil and Claire	7,996,100	8,088,100	92,000	5,843,000
Outreach	Phil and Jenny	0	0	0	1,228,500
Early Years	Claire and Jenny	444,500	454,500	10,000	444,500
ASD Bases	Jenny and Claire	2,323,100	2,476,000	152,900	2,911,000
SEND Advisory Services	Jenny	2,818,700	2,759,300	-59,400	2,877,600
Virtual School	Emily	733,200	671,300	-7,000	815,800
Other	Rob	-573,500	0	573,500	169,800
TOTAL		57,791,300	63,923,600	6,187,200	65,111,200