

Decision Report - Executive Decision

Forward Plan Reference: FP/23/03/10

Decision Date – 3 May 2023

Key Decision – yes



Key Decision: Allocation of 2023/24 Dedicated Schools Grant High Needs Block

Executive Member: Cllr Tessa Munt

Lead Officer: Claire Winter, Executive Director – Children’s Services

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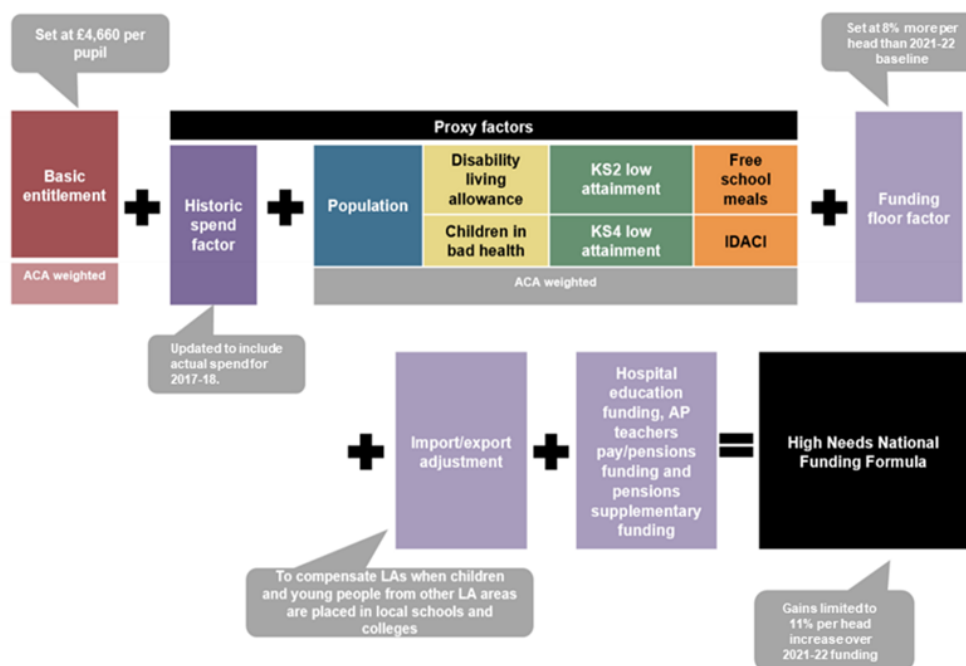
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1. Summary

- 1.1. This report sets out the Council’s plan for distribution of the High Needs Block of the Dedicated Schools Grant for the financial year 2023/24.
- 1.2. High needs funding is provided to local authorities through the High Needs Block (HNB) of the Dedicated Schools Grant (DSG). Local authorities must spend that funding in line with the associated conditions of grant, and the Schools and Early Years Finance Regulations.
- 1.3. The HNB is intended to:
 - fund education places for children and young people with special educational needs and disabilities (SEND) from birth to the age of 25, enabling local authorities and institutions to meet their statutory duties under the Children and Families Act 2014,
 - fund alternative education provision for statutory school age children, who for reason of exclusion, illness or other reason, cannot receive their education in a mainstream or special school; and,
 - fund central services for children and young people with SEND, either delivered directly by the local authority or under a separate funding agreement with institutions, as permitted by regulations.
- 1.4. The amount of funding that local authorities receive through the HNB is determined by the Education and Skills Funding Agency (ESFA) using a national funding formula comprising twelve elements, as set out below.



- 1.5. For 2023/24 Somerset's HNB allocation from the ESFA is £83.7m. Of this £9.5m is deducted by the ESFA for direct funding to mainstream and special academies and free schools.
- 1.6. A transfer of £1.5m from the DSG Schools Block to the High Needs Block was approved by Schools Forum members in November 2022 and ratified in January 2023. Consequently, the high needs funding available for the Local Authority to allocate is £75.7m.
- 1.7. The plan for allocating this funding is set out in section 3.1.3, below.

2. Recommendations

- 2.1. That the Executive Director – Children's Services agrees to:
 - 2.1.1. Distribute the 2023/24 High Needs Block of £75.7m, in line with the conditions of the grant, to education settings and service areas as detailed in 3.1.3 of this report; and,
 - 2.1.2. Pursuant to recommendation 2.1.1, and in accordance with the Council's Scheme of Delegation, delegate authority to the Service Director for Inclusion to finalise, oversee and make any necessary adjustments to High Needs budgets in response to relevant changes in circumstance or guidance.

3. Reasons for recommendations

- 3.1. This decision will allow the Council to distribute funding and allocate budgets to education settings and service areas that provide and support high needs education to children and young people with SEND in line with national policy and local strategy.
- 3.2. Local authorities must ensure that children and young people and their parents/carers are involved in discussions and decisions about their individual support and local provision, in line with their statutory duties and the SEND Code of Practice. Similarly, local authorities must ensure any changes to SEND provision and high needs funding arrangements are made in close consultation and co-production with the schools and colleges which will be affected.
- 3.3. During 2022, the Council has worked with partners in the NHS, education providers and parent carers, under the Somerset SEND Partnership Board, to determine local area needs, priorities and strategy. This work has included:
 - development of the [Somerset SEND Needs Assessment](#), published as part of the joint strategic needs assessment;
 - regular engagement with parent carers of children and young people with SEND through a series of listening events;
 - a peer challenge undertaken by the Local Government Association focused on Somerset's SEND system;
 - work with IMPOWER Consulting to develop Somerset's inclusive ambition, identify opportunities to improve early identification and support for SEND, and strengthen the SEND system;
 - engagement with the Department for Education Delivering Better Value for SEND programme, and work with DfE delivery partners, Newton and CIPFA, to review SEND data, baselines and forecasts for the SEND population in Somerset.
- 3.4. On 21 October 2022, the SEND Partnership published its draft SEND Strategy (2023-26) for consultation. The Strategy focuses on four key areas for priorities:
 - Working together
 - Getting help as early as possible.
 - Access to the right support and provision
 - Preparing for the future
- 3.5. Following the formal consultation process, as well as consideration of feedback from the OFSTED / CQC local area SEND revisit report, which was published on 1 February 2023, the final version of the SEND strategy is planned for publication in May 2023.
- 3.6. In developing proposals for the 2023/24 HNB allocation, the Council engaged with special schools, pupil referral units and mainstream schools with resource bases during the autumn term 2022 to confirm expected pupil numbers.

- 3.7. A transfer of £1.5m from the Schools Block to the High Needs Block was approved by School Forum in November 2022 meeting and confirmed in the Individual Schools Funding Proposal paper presented to Schools Forum member in January 2023.
- 3.8. Individual specialist providers were consulted with again in February 2023 on proposals for their school's allocation following revision to Somerset's HNB allocation and guidance from the Department for Education.
- 3.9. On 22 February 2023 Schools Forum was asked to consider proposed budgets for allocation of the High Needs Block. An indicative vote of Schools Forum members was unanimously in favour of the Council's proposals.
- 3.10. The Council has adopted a "Local First Approach" to planning provision for children with special educational needs in Somerset. The driving principle for this is to enable children and young people, wherever possible, to be educated close to their home and within their local community so that they can retain community links, support, and remain included and visible members of their communities at the same time as accessing provision that meets their needs.
- 3.11. This approach has included capital investment to expand and improve existing special schools, resource bases and pupil referral units, as well as two successful bids to the DfE for new special free schools (due to open in 2024 and 2027), as well as working with mainstream secondary settings to develop an enhanced more inclusive offer of provision.
- 3.12. The planned HNB budget allocation is based on the following decisions or assumptions:
- In line with the Council's Local First Approach, priority has been given to increasing capacity and funded places in Somerset's maintained special schools where this is possible to reduce over-reliance on independent non-maintained specialist (INMS) provision.
 - Work has been undertaken with Newton/ CIPFA through the Delivering Better Value programme to establish data-driven forecasts for growth in numbers of children and young people with an education, health and care plan, which have been used to set allocations for top-up funding for mainstream schools.
 - In line with feedback from schools, as well as priorities outlined in the draft SEND Strategy, budgets for central support services and commissioned outreach services are being maintained with an inflationary uplift, to enable a continuation of the level of capacity for early identification and support from these services.
 - Allocations for INMS provision are based on forecasts of pupil numbers and anticipated inflationary growth in costs of 7%.
- 3.13. The proposed HNB allocation for 2023/24 is provided in the table below.

| | 2022/23 | 2023/24 Budget | Change (%) |
|--|----------------|---------------------------|-----------------------|
|--|----------------|---------------------------|-----------------------|

| | Forecast outturn (£m) | (£m) | |
|---|--------------------------------------|-------------|------------|
| Special schools | 20.3 | 22.3 | 10% |
| Mainstream schools | 9.6 | 10.9 | 13% |
| INMS schools/ children looked after | 21.5 | 25.9 | 20% |
| Post 16 | 5.5 | 6.0 | 10% |
| Pupil Referral Units | 8.1 | 8.2 | 1% |
| Autism resource bases | 2.4 | 2.2 | -8% |
| Other (direct payments, early years) | 1.6 | 1.7 | 11% |
| Central SEND support services | 3.7 | 3.9 | 5% |
| SEND transformation | 0.0 | 0.2 | - |
| Total | 72.7 | 81.4 | 12% |
| Allocation after deductions and transfer | 67.5 | 75.7 | 12% |
| Forecast in-year deficit | 5.2 | 5.6 | 7% |

- 3.14. The planned budget allocation for 2023/24 involves a forecast in-year pressure on the HNB of £5.6 million, which will result in an increase of the overall cumulative deficit for the Dedicated Schools Grant (DSG). Largely this is due to two related factors: year-on-year growth in the number of children and young people with an education, health and care plan (93% increase from 2019 to 2022); and, a lack of sufficient provision within Somerset's maintained sector for children with social, emotional and mental health needs.
- 3.15. Many local authorities have been incurring a deficit on their overall DSG account, largely because of overspends within their high needs block. In August 2022, the DfE invited the Council to take part in the Delivering Better Value (DBV) in SEND Programme. This programme aims to provide dedicated support and funding to help 55 local authorities with substantial, but not the most severe, deficit issues (the 20 LAs with the largest deficits are part of the DfE Safety Valve Programme) to reform their high needs systems. The aim is to put more LAs on a more sustainable footing so that they are better placed to respond to the SEND Review reforms.
- 3.16. Newton/CIPFA have identified that without any action the gap between high needs funding and expenditure will continue to grow each year, leading to a forecast £120 million cumulative deficit by 2028. The key driver for this increase is the continued increase in the number of children and young people with an EHC plan, which is now above the national average, and growing at a faster pace than nationally. The DBV has helped to identify key opportunity areas to reduce this growth in spending, and the Council is applying for a £1 million grant to support transformation in this area. This will focus on improving identification of SEND at an early stage, having more consistency and clarity about what an

effective offer of support is for children with SEND, and addressing gaps in the service offer with the right expertise. Even with this transformation, it is forecast that the high needs deficit will continue to grow for each of the next five years.

- 3.17. In 2020, the Department for Levelling Up, Housing and Communities (DLUHC) introduced a statutory override that separated DSG deficits from local authorities' wider finances. This statutory override was due to conclude at the end of the 2022-23 financial year but has now been extended for a further three years and it is proposed that this will now cease at the end of the 2025-26 financial year.

4. Other options considered.

- 4.1. The Conditions of the DSG require the LA to distribute the High Needs Block to specific education settings and service areas. The LA has commissioned high needs places and the distribution of the funding is in line with grant conditions, commissioned places and local policy and strategy.
- 4.2. Section 3.12 summarises the rationale for the proposed high needs budget allocation. It could be possible to use other assumptions and either (1) not forecast or allocate funding for inflationary increase; and/or (2) reduce any or remove any discretionary expenditure, principally in relation to central support services.
- 4.3. Neither of these options are considered viable as they would likely lead to worse financial consequences by setting unrealistic budgets for both overall expenditure and for individual institutions, and by removing available early support, which could contribute to increased demand and cost in more expensive specialist provision.

5. Links to Council Vision, Business Plan and Medium-Term Financial Strategy

- 5.1. Somerset Council Plan sets out the Council's vision to build a fairer, greener, resilient, more flourishing Somerset that cares for the most vulnerable and listens to you. This decision will support the priority of achieving a fairer, ambitious Somerset.
- 5.2. Specifically, the Council Plan identifies the need to ensure that Somerset children get an excellent education and recognises the challenges in improving education outcomes for children with additional needs. Ensuring appropriate funding for education provision and support for these children will be fundamental to achieving this aim.
- 5.3. Through the DBV programme, the Council will oversee a transformation programme to realise opportunities to address avoidable cost pressures within the SEND system to align with the Council's medium term financial strategy.

6. Financial and Risk Implications

- 6.1. By taking this decision, the Local Authority will be allocating £81.4m to high needs settings and services in line with commissioned places and local policy and strategy, which will result in an in-year forecast deficit of £5.6m.
- 6.2. The 2023/24 allocation includes mitigating targets to reduce INMS placements (£1.5m) and generate income in the Pupil Referral Units (£0.9m). Plans to achieve these mitigating targets are being developed.
- 6.3. The cumulative forecast deficit will increase to £31.3m by the end of March 2024. The financial benefits of the DBV opportunities will not be realised until 2024/25 and are unlikely to mitigate against the total forecast deficit in future years.
- 6.4. The statutory override has been extended to the end of March 2026. At this point, if there is no change to legislation or additional funding from government, the cumulative deficit will have to be funded by the Local Authority.

6.5. Specific risks identified:

- 6.5.1. *Risk of demand increases above assumptions.* The budgets have been distributed based on a set of assumptions and forecast level of demand for high needs places and services. If demand exceeds the set of assumptions, the result will be a higher level of deficit.

6.5.2. Risk score without mitigation:

| | | | | | |
|-------------------|----------|---------------|----------|-------------------|-----------|
| Likelihood | 3 | Impact | 4 | Risk Score | 12 |
|-------------------|----------|---------------|----------|-------------------|-----------|

- 6.5.3. *Mitigation.* Regular monitoring and forecast. Improvements to demand forecast trajectories being identified.

6.5.4. Risk score with mitigation:

| | | | | | |
|-------------------|----------|---------------|----------|-------------------|----------|
| Likelihood | 3 | Impact | 3 | Risk Score | 9 |
|-------------------|----------|---------------|----------|-------------------|----------|

7. Legal Implications

- 7.1. The distribution of the 23/24 high needs block is in line with the Conditions of the DSG.
- 7.2. The Council has a duty to secure education provision for all children with an education, health and care plan that is set out in the plan, and a duty to arrange provision for children who for reason of exclusion, illness or other reason are unable to attend a mainstream school.

8. HR Implications

8.1. There are no HR implications arising from this decision.

9. Equalities Implications

9.1. Please see the Equalities Impact Assessment attached in appendix A

9.2. The decision will help to improve education provision, support and outcomes for children and young people with special educational needs and disabilities.

10. Community Safety Implications

10.1. No implications relevant to this section identified.

11. Climate Change and Sustainability Implications

11.1. No implications relevant to this section identified.

12. Health and Safety Implications

12.1. No implications relevant to this section identified.

13. Health and Wellbeing Implications

13.1. No implications relevant to this section identified.

14. Social Value

14.1. No implications relevant to this section identified.

15. Scrutiny comments / recommendations:

15.1. This decision has not been to a scrutiny committee. It has been discussed at the Somerset Schools Forum who support the distribution of the HNB.

16. Background Papers

17. Appendices