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| Report to: | Schools' Forum |
| Date of meeting: | 10 May 2024 |
| Report By: | Carolyn Fair |
| Title: | High Needs Block - Demands and Pressures |
| Purpose: | To provide an update on the current pressures on the High Needs Block (HNB) and to report recommendations from the HNB Subgroup for a decision by Schools' Forum |

Recommendations:

That Schools' Forum:

- a) That Schools' Forum considers the recommendations (as set out in 2.13) made by the HNB Subgroup.
 - b) That Schools' Forum agrees whether any amendments should be made to the recommendations from the HNB Subgroup.
 - c) That Schools' Forum votes to endorse the proposed financial arrangements for 24/25 (specifically a 3.4% uplift for special and mainstream school top-ups and no changes to the exceptional mainstream funding) and/or any amendments that are made.
 - d) That Schools' Forum agrees the proposal for the HNB Subgroup to undertake more work to develop proposals for future uplifts to mainstream and special school top-ups, based on a more nuanced understanding of costs, and to bring these back to SF for approval.
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1. Background

- 1.1 The East Sussex SEND Strategy sets out clear priorities to ensure that children and young people with SEND get the right support at the right time. For some, this means ensuring that they have access to specialist provision, but for the majority, this means that they are able to access high quality support in their local mainstream school, alongside their peers.
- 1.2 The outcomes for children and young people with SEND across East Sussex are not what we would want them to be, with too many failing to attend school regularly, being suspended or excluded, not achieving educational outcomes in line with their peers nationally, and not moving into sustained education or employment post-16. This is not something we are complacent about and have set ourselves ambitious targets to improve these outcomes for our local children and young people.
- 1.3 To make the improvements across these range of outcome measures, it is essential that all partners within the SEND system work together to ensure that resources are aligned with our ambitions and directed in the areas that are most likely to bring about impact. The overall unfunded pressures in all schools poses a challenge to this agenda and the limitation of funding within the High Needs Block (HNB) do not allow us to fund everything the way that we would want to. For this reason, it is important that decisions are made as to where we allocated these resources at a systemic level, and in a way that is open and transparent.

- 1.4 Comparatively, East Sussex has received below average allocation to the HNB for a number of years. Despite this, we have been able to manage successfully the costs of High Needs provision within the overall envelope of the allocated budget. This is unusual in the context of LAs nationally, many of whom have required to repeatedly undertake inter-block transfers (from the Schools' Block to the HNB), or in extreme cases have received direct support from the DfE as part of the Safety Valve programme.
- 1.5 At the end of the 23/24 financial year, for the first time since 2016/17, East Sussex saw an overspend on our HNB of £1.145m. Through effective budget planning, we were able to meet this through reserves and, therefore, it has not had a direct impact on school budgets. However, the forecast for 24/25 and 25/26 mean that there is significant risk of substantial overspend on the High Needs Block which will need to be addressed through Schools Forum in the autumn 2024.
- 1.6 Set alongside these pressures, we have received requests for increased funding to meet SEND need across mainstream, special and FE providers, both in terms of meeting the costs of statutory provision set out in EHCPs, and (in the case of small mainstream schools) mitigating shortfalls of funding in notional SEND Budgets.
- 1.7 As agreed at last Schools' Forum, a subgroup of the Forum has met twice to discuss the requests from mainstream and special schools to develop recommendations to come back to this meeting for approval; these are set out below. Alongside this, it is timely to review the current and forecast pressures across the HNB so that there is full transparency about the potential implications of decisions on the potential for inter-block transfers by Schools' Forum in the autumn.

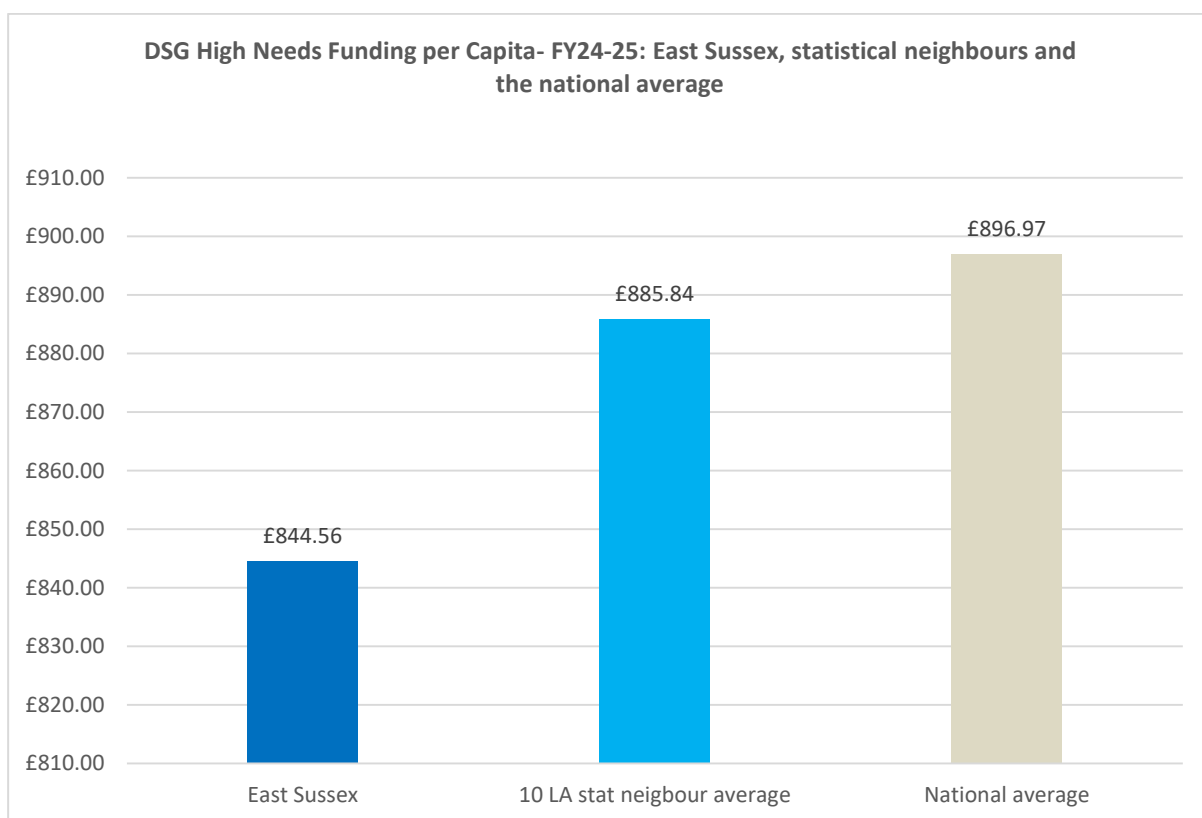
2. Supporting Information

HNB Demand and Expenditure 23/24

- 2.1 Based on the last nationally comparable data (SEN2 Return for the 2022 calendar year), East Sussex maintained 4264 EHCPs. Of these, 23.7% were in mainstream schools (which placed ES 140th out of 152 LAs, with 1st being the highest proportion in mainstream), 31.1% were in Special School (51st), 9.6% were in Independent or Non-Maintained Special (INMS) schools (22nd) and 20.9% were in FE (6th). This shows that, comparatively, more children with EHCPs in ES are in higher cost provision than is the case nationally and is linked to the fact that East Sussex has a comparatively high number of special school placements (highest out of all of the 19 LAs in the Southeast of England, by head of population). Over the last financial year, East Sussex saw an increase in the number of requests for EHC Needs Assessments by 23.9% and we issued 45.6% more EHCPs than the previous year, almost two-thirds of whom were placed in special school at the point of completing the plan.
- 2.2 Although the HNB funding formula provides part of the funding of children in Special Schools, the bulk of the costs are made up from proxy indicators with a very large share of our overall budget being based on actual spend in 2017/18 financial year. There is no weighting within the formula to account for the number of pupils in the INMS schools, which on average cost around £50k per pupil per year (Appendix 1). Again, this means that the financial settlement for East Sussex puts us in a less favourable position than is the case elsewhere.
- 2.3 Based on an analysis of the final outturn for the 22/23 financial year, £40.6m was spent on specialist placements (approximately 1780 children) over the course of the

year. Of this, £18.1m was spent on INMS placements for approximately 420 children and equated to over 25% of our entire HNB. The INMS sector also saw the biggest in-year cost increase (for 23/24) with the provisional outturn being £21.9m, in the sector, going up by £3.8m from the previous year. This increase was partly as a result of having to place more children in INMS and partly as a result of very high price increases in this sector.

2.4 The graph below shows that, despite the high number of pupils in specialist provision in East Sussex, the average per-pupil funding to the High Needs block in East Sussex is well below national and statistical neighbour averages. This has significant implications for the flexibility that there is within the ES HNB to meet overall demands within the system.



2.5 As a result of increased demands, for the first time since 2016/17, East Sussex had an overspend on the High Needs Block of £1.145m at the end of 23/24.

2024/25 HNB Allocation and Forecast Pressures

2.6 The allocation for HNB for East Sussex in 24/25 is £87m, an increase of 4.9% (£4m) from 22/23. This is much lower than last year’s uplift of 10.7% (£8m) and this in itself presents a significant challenge for setting a balanced budget.

2.7 In advance of consideration of any additional costs, there are some known pressures within the system which we are forecasting to have a significant impact on the budget:

- Increase in the number of pupils requiring placement in INMS and an increase in the costs of placements (which the LA has limited control over). This is forecast to increase at least at the same rate as last year, in which case will cost approximately an additional £4m this year.

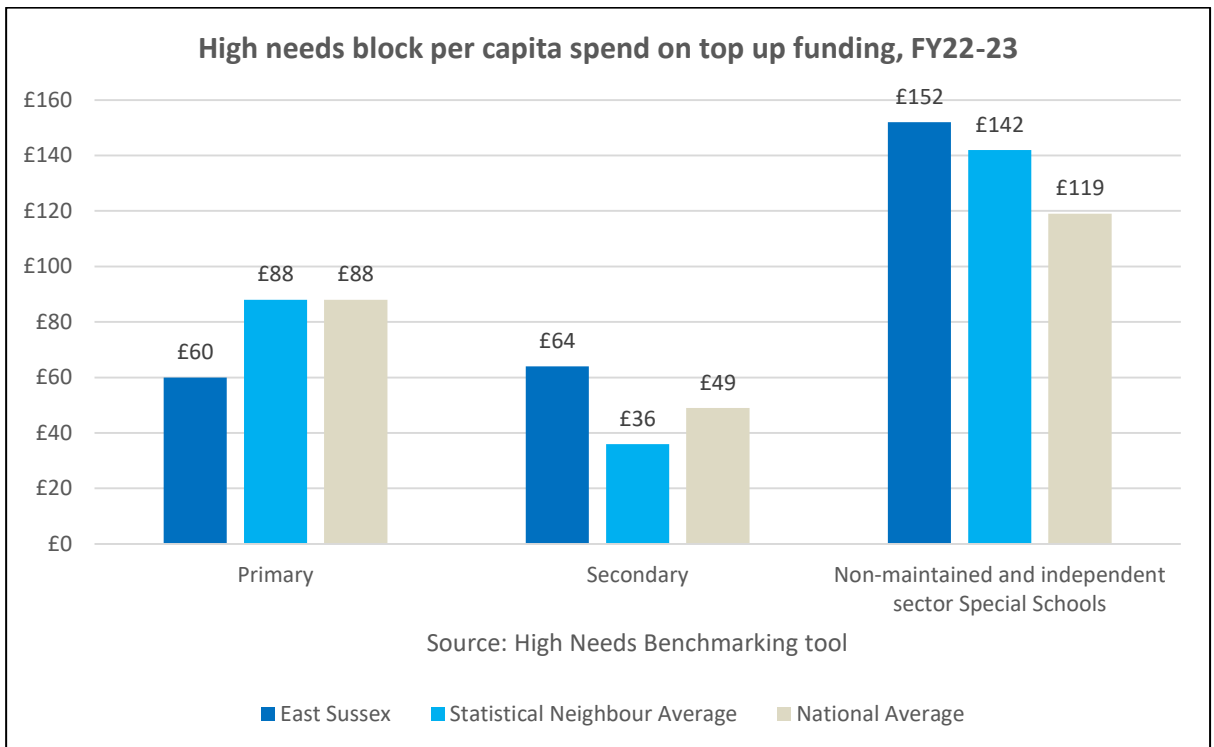
- Increase in the numbers of pupils requiring Education Other Than At School (EOTAS). We have seen a significant increase in the number of pupils who we are putting in EOTAS packages for, either as a direct parental request, or as a result of our duties under Section 19 of the Education Act. We are forecasting this to increase by £0.5m this year.
- Increase in the expenditure on Alternative Provision. We have seen a significant increase in the number of permanent exclusions. We need to accommodate these additional numbers but also ensure that we invest appropriately in preventative provision. We are forecasting an increase of £3m on this provision.

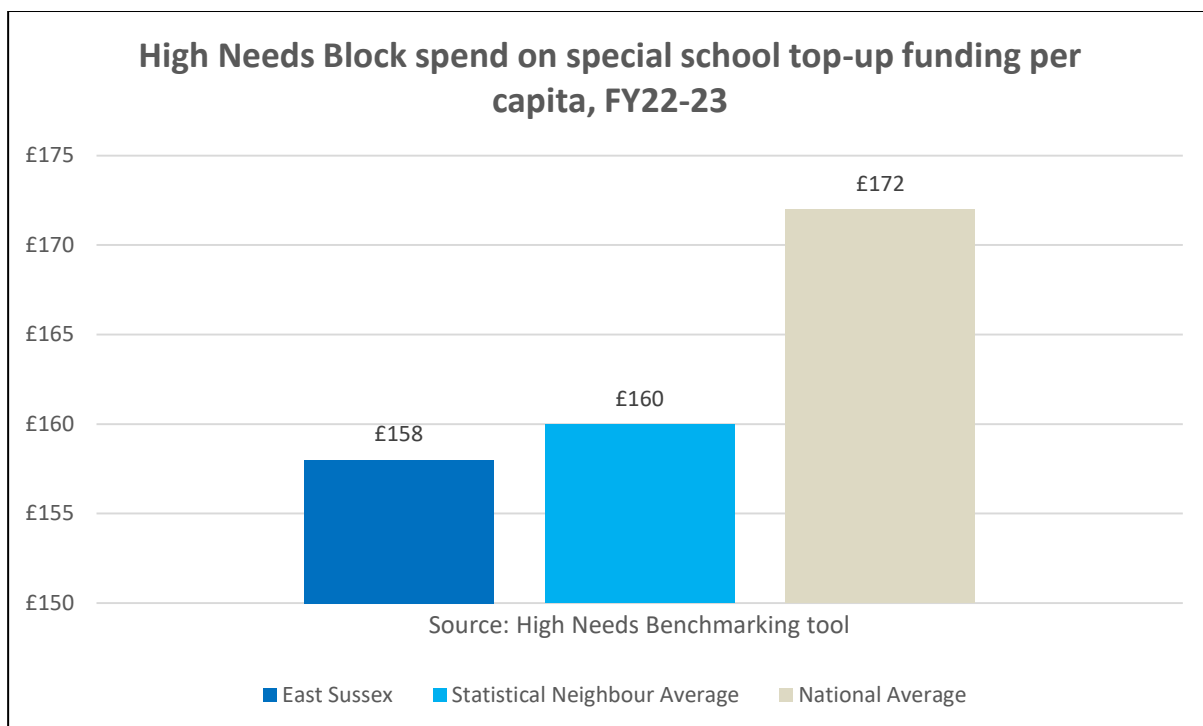
2.8 As a result of the above, we are forecasting an in-year pressure on the HNB of £11.534m. This does not include any additional requests for funding as outlined below.

Considerations for Uplifts for Mainstream and State-Run Special Schools

2.9 As outlined at the last Schools’ Forum, the LA has received requests for increases in funding rates in different areas of provision. Following the SF meeting in January, the HNB Subgroup has met twice to consider, specifically, requests for mainstream and state-run special schools.

2.10 As with other areas of HNB funding, the levels of funding for children with SEND varies between different sectors. The two graphs below set out the High Needs Block expenditure in mainstream and special schools (based on 22/23 figures) as well as those in the INMS sector, compared to national and statistical neighbour averages.





- 2.11 The per-capita spend on HNB in primary schools is much less than national and statistical neighbour averages in primary schools; conversely it is greater than both in secondary schools. In the special sector, the position is equally polarised with the INMS sector getting much higher levels of average funding than national and statistical neighbours and state-run schools receiving much lower.
- 2.12 In addition to challenges with High Needs Funding, we are seeing an increasing number of mainstream primary schools challenged by the sufficiency of their notional budgets. This is particularly acute in small primary schools who may, in a given year, have a disproportionate number of children with EHCPs. Although there is a route to agree exceptional funding for small schools, the formula hasn't been reviewed in a number of years and very few schools qualify under the current arrangements.
- 2.13 The Schools' Forum HNB Subgroup met to consider three areas of funding and agree on principles upon which we would determine any uplifts for HNB allocations to mainstream and state-run special schools in 24/25 and 25/26 onwards. The recommendations that the subgroup made, which are now for consideration by Schools' Forum, are as follows:
- 1) That funding for mainstream and special school top-ups should be agreed on the basis of a percentage uplift for 24/25;
 - 2) That the funding for both mainstream and special school top-ups should be the same percentage uplift;
 - 3) That 3.4% should be applied to all top-ups across mainstream and special schools for 24/25 (this represents the minimum amount that we are required to passport to Special Schools within the 24/25 allocation);
 - 4) That no changes to exceptional funding arrangements should be made at this stage.
- 2.14 The total additional cost to the HNB for the proposals above will be £2.163m in 24/25
- 2.15 It is important to note that there is no requirement to agree an uplift to any specific area of school funding with the exception of state-run special school top-up, which

has been prescribed at 3.4% for 24/25. In 22/23 and 23/24, we did receive an additional allocation to our HNB to account for additional burdens in the special school sector post COVID which total 4% for each of the two years. Although there was no requirement to do so, the corresponding uplift has been applied, cumulatively, to special school top-ups each year.

- 2.16 For INMS schools, although we consistently push back on any request for disproportionate price increases (and indeed have seen some success in reducing these), there is limited scope to challenge all of these. This is because, legally, funding requests must be met at the level they are specified if they link to provision outlined in EHCPs. Also, where a child is in an INMS, it is almost impossible to change a placement mid-phase which means that placing children in these schools have costs over multiple years, which in some cases can run into the millions of pounds for just one child. These factors are well known and exploited by the sector.
- 2.17 The discussions in the HNB Subgroup resulted in a recommendation that mainstream top-ups should be matched to special school top-ups in 24/25 to create parity across the two sectors. The group felt that a simple percentage uplift for 24/25 was appropriate, but that a more cost-driven approach should be looked at for 25/26 onwards. It is important to reflect that special schools have requested an uplift to bring ES figures closer to national averages, but in light of the potential impact on mainstream school budgets, the subgroup did not feel able to endorse the request at this time.
- 2.18 The second part of the discussion with the HNB Subgroup focussed on how we can develop a methodology to better understand the cost pressures across the state-run sector with a view to developing a more nuanced approach to determining funding increases from 25/26 onwards. To inform this discussion, the ISOS partnership were commissioned to undertake qualitative interviews with stakeholders representing 23 schools across East Sussex (across primary, secondary and special). The recommendations from this research identified both strengths and weaknesses in the current system, as well as identifying some strands for further development, the relevant points for the Schools' Forum decision today are outlined below:
- a) Mainstream Schools - East Sussex has developed a 'Matrix of Needs' which enables schools to develop comprehensive and costed provision maps which link directly to specified provision within EHCPs. This should be used as the basis for future funding, but needs updating to ensure that it reflects the provisions in mainstream EHCPs with updated costs.
 - b) The notional SEND budget - should be reviewed by Schools' Forum to ensure that it provides an equitable and transparent allocation of resources for children with SEND.
 - c) Special Schools - it was noted that the Single Value Top-up is an effective way for managing budgets at both a school and LA level. Unlike with mainstream schools, there was no simple way to understand where the cost pressures are within the special sector (as costed provision maps at an individual child are not used). The recommendation was, therefore for special schools to look at how they can evidence where their cost pressures are to inform a more nuanced discussion around future uplifts, where the drivers of costs could clearly be seen.
- 2.19 In addition to the above, there was a lot of discussion about how schools could work together to address some of the challenges in the system where they are escalating. For example, with falling rolls there is the opportunity to see how mainstream school buildings could be used for more specialist provision and keep local children in their community. Also, there were reflections on how relatively small reductions in the

number of children placed in INMS could bring about significant cost-savings (e.g. 10 children equates to a saving of £0.5m a year) and how schools could support this.

Considerations for Uplifts for FE Colleges

- 2.20 In addition to the areas identified above, the LA has also had a request from our FE colleges to increase funding levels for High Needs learners. This is a separate piece of work which we are undertaking in partnership with the other Sussex LAs, the outcomes of which will come back to Schools' Forum for approval. It is envisaged, however, that there will be further requests for funding as a result of these discussions.

Conclusion

- 2.21 It is evident that there will be insufficient funds in the HNB in 24/25 to meet both forecast existing pressures (outlined in 2.7 and 2.8) and the additional funding that is being requested. Any decision that is made, therefore, will need to balance competing pressures on this limited resource.
- 2.22 Through our forecasting methodology, we had predicted a pressure on funding in the INMS sector and had built up some reserves within the HNB to mitigate these. For this reason, therefore, we do not feel that there will be any demand on mainstream school resources in 24/25. The extent to which we can manage the overall budget, however, will depend very much on demand for special school places which are creating the greatest pressure on the overall costs. We will be able to report a more accurate forecast of where we stand in-year in the autumn, alongside the forecast position for 25/26. It is important to note, however, that the range of pressures outlined above do provide a strong indication that a request for an inter-block transfer to the HNB will need to be considered by Schools' Forum in autumn next year.
- 2.23 There is more work to be done by the HNB Subgroup to inform decisions around funding for mainstream and state-run special schools from 25/26 onwards. Again, any proposals will be presented to Schools' Forum alongside the updated forecasts for next financial year so that an informed decision can be made as to how to proceed with these.
- 2.24 It is important that any funding decisions are aligned with our SEND Strategy which places a strong emphasis on improving mainstream inclusion and ensuring that more children with SEND are able to attend their local mainstream school, and that parents have confidence that mainstream settings can meet a broad range of SEND. Any decisions should not run contrary to this aspiration as they will have a direct impact on high-cost placements moving forward.

3 Recommendations

- 3.1 In light of the above, the following recommendations are made:
- e) That Schools' Forum considers the recommendations (as set out in 2.13) made by the HNB Subgroup.
 - f) That Schools' Forum agrees whether any amendments should be made to the recommendations from the HNB Subgroup.

- g) That Schools' Forum votes to endorse the proposed financial arrangements for 24/25 (specifically a 3.4% uplift for special and mainstream school top-ups and no changes to the exceptional mainstream funding) and/or any amendments that are made.
- h) That Schools' Forum agrees the proposal for the HNB Subgroup to undertake more work to develop proposals for future uplifts to mainstream and special school top-ups, based on a more nuanced understanding of costs, and to bring these back to SF for approval.

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Figure 1: the structure of the high needs national funding formula



