

Report to:	Schools' Forum
Date of meeting:	20 September 2024
Report By:	Carolyn Fair
Title:	High Needs Block - Response to Demands 2024/25
Purpose:	To provide an update on the current position with the HNB in respect of identified pressures and to seek approval for use of Central School Services Block (CSSB) to reduce in-year pressures.

Recommendations:

- That Schools' Forum agrees for CSSB to be retained for the purposes of reducing any HNB deficit in 24/25.
 - That Schools' Forum representatives note the implications of costs for maintaining the current (or increased) level of placements in special schools and the risks associated with this for broader school budgets.
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1. Background

- 1.1 At Schools' Forum in May, we set out the current and forecast pressures on the High Needs Block, alongside the potential implications for schools in meeting in-year, and future, overspends.
- 1.2 Since this meeting, the LA has undertaken further work to update the projections and to model different options for Schools' Forum to consider in addressing the financial challenges. This includes working with partners across the sector to review requests for increases in fees with a view to establishing long-term and sustainable options for meeting increasing demands. This work is ongoing and remains a high priority.
- 1.3 Since 2017, the partners across the local SEND system Local Area partners have worked hard to avoid the need for inter-block transfers, from individual school budgets into the HNB, in ensuring that the costs of provision for children with SEND are met within the available resources This has included:
 - ensuring that schools have access to high quality support and guidance from dedicated specialist support services;
 - ensuring transparent models of funding for state-run provision;
 - challenging unreasonable costs in the independent sector;
 - developing cost-effective provision in the state sector (new special schools and specialist facilities);
 - investing in systems to improve inclusion in mainstream schools through the Enhancing Mainstream Practice Fund.
- 1.4 Collectively, this work has been instrumental in allowing us to mitigate the impact of the rising costs of SEND provision that other LAs have seen over recent years. However, the current position in East Sussex means that our mitigations will no longer meet the costs. This is due to the following factors: a much higher proportion

of children with EHCPs placed in special schools than is the case nationally; significant increases in costs in provision within the independent and non-maintained special (INMS) sector; a comparatively low allocation of HNB funding for the current year.

- 1.5 This paper sets out the proposed steps to address the forecast pressure in the High Needs Block, which will require agreement from Schools' Forum at this meeting and the following meeting, in November.

2. Supporting Information

- 2.1 At the end of Q1 24/25, we were forecasting a total pressure on the High Needs Block of £2.83m. It is important to note that this has been mitigated by the last of the reserves within the HNB that were brought forward from 23/24.
- 2.2 The single most significant pressure on the SEND budget is the costs from the INMS sector. This is due to two main factors: the increase in the number of children for whom there is a request for a special school; and the unregulated price increases in this sector for all children placed which is above inflation in most cases.
- 2.3 It is important to note that, with a few exceptions, the INMS sector is not providing anything that local, state-run provision (in both mainstream and special schools) are not providing. INMS are, therefore, only picking up 'overflow' where local provision is full, or where mainstream schools are stating that they cannot meet needs. For this reason, we are paying a premium for educational provision for children who might otherwise be supported in their local special or mainstream schools, and are not achieving discernibly better outcomes in the INMS sector.
- 2.4 As the number of pupils placed in special schools increases and, as the funding from central government is insufficient to pay for the costs associated with this, we need to make some collective decisions about how we respond to this challenge. As we have already undertaken a lot of work (since the last de-delegation in 2017) to address many of the cost pressures, the only options are either to reduce the number of pupils who are placed in special schools (to bring ES in line with national averages) or fund the additional costs from elsewhere in the school funding system.
- 2.5 Where there is a projected overspend in the HNB, Local Authorities must liaise with Schools' Forum to agree how this will be met. As the regulations around the funding of the HNB do not allow for the transfer of non-DSG into the HNB, any shortfall in the HNB must be met from other DSG budgets.
- 2.6 As the pressure we are seeing is predominantly from the number of placements of children in INMS schools, and the average cost of these placements is £45k, the only way of avoiding the projected overspends is a reduction in the number of placements in special schools. This would require a significant change of approach, in order to meet the needs of more pupils in mainstream provision. We have already identified that the year 6 to 7 transition is a particular time of pressure for special school placements and the Statement of Intent that was agreed by the Joint Board last academic year identifies a range of ways to tackle this challenge together. However, this has yet to have the required impact on the number of special school placements.
- 2.7 Looking at the current costs and numbers, if we had placed 63 fewer children in INMS, then there would be no pressure on the HNB this financial year. As an example of the current challenge, last calendar year, 84 children were placed in INMS schools directly from mainstream provision; 40 of these did not previously have an EHCP.

This is an additional annual cost of £3.7m for this cohort alone and exceeds this year's total pressure on the HNB.

- 2.8 Following a meeting between the LA and the DfE at the end of August to discuss the processes for interblock transfers, we are currently completing a DSG management plan which will articulate the pressures in the HNB and the measures we are taking to address these. This is a requirement of the DfE and we will bring this to Schools' Forum on 15 November 2024. We will provide an updated financial position at this meeting, along with any request for a funding transfer from schools' budgets to the HNB to address the in-year pressure (i.e. for 24/25 only).
- 2.9 In order to reduce the impact of an interblock transfer, we have looked across the board to see where DSG is sitting to see if there are other options for consideration. Following discussion with the DfE, this includes looking at existing school reserves. With the current level of unmitigated overspend in the HNB, we feel that the best way to address this (in the first instance) is to utilise the "term-time" surplus of CSSB which would otherwise be delegated to schools. By using this element of DSG, this would reduce the forecast overspend for 24/25 by £1.049m bringing the current projection to £1.79m.
- 2.10 The proposal, therefore, is that Schools' Forum vote to agree for the CSSB to be retained to reduce the deficit in HNB in 24/25. We propose to re-run our projections for the HNB in early November (including the implications for this on individual schools) in advance of a request for an interblock transfer coming to Schools' Forum on 15 November.
- 2.11 The future position for HNB remains in flux, but (assuming we receive a similar allocation of HNB as this year) we are currently forecasting overspends of £15.8m in 25/26 and £25.1m in 26/27. Unless mainstream schools retain a greater number of pupils, or the government changes the financial regulations around INMS settings, it is very likely that a significant interblock transfer, as well as other virements of DSG, will be required next financial year as well.
- 2.12 We are still committed to the processes that we agreed last academic year to review the top-up funding to mainstream schools, state run special schools and a wholesale funding review for FE Colleges, and the HNB Working Group will continue to meet in between Forum meetings to make recommendations on these. However, it is important to flag that the costs of the current pattern of educational provision in East Sussex exceed the HNB funding available and these will have to be met through the DSG.

3 Recommendations

- 3.1 In light of the above, the following recommendations are made:
 - a) That Schools' Forum agrees for CSSB to be retained for the purposes of reducing any HNB deficit in 24/25.
 - b) That Schools' Forum representatives note the implications of costs for maintaining the current (or increased) level of placements in special schools and the risks associated with this for broader school budgets.

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