

Report to: Schools' Forum

Date of meeting: 15 November 2024

Report By: Carolyn Fair

Title: High Needs Block - Request for Interblock Transfer

Purpose: To seek approval from Schools' Forum for an interblock transfer from the schools' block to the High Needs Block (HNB) to mitigate pressures.

Recommendations:

- That Schools' Forum agrees for a £1m interblock transfer from the schools' block to the High Needs Block, to take effect from 1 April 2025.
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1. Background

- 1.1 At Schools' Forum in May and September, we provided updates on the growing pressure within the High Needs Block and the potential implications for mainstream schools in terms of addressing this deficit.
- 1.2 Despite our best endeavours, the demand for placements outside of the mainstream sector has grown considerably which has resulted in the need for us to place more children in the high cost, independent and non-maintained special sector.
- 1.3 At the start of the academic year, East Sussex already had a very high proportion of pupils in the special sector (compared to national and statistical neighbour figures). The pressures that this created in the system was highlighted through the Joint Board, especially as the biggest increase in demand comes from the volume of requests for EHC Needs Assessments at the end of KS2 and the low number of children with EHCPs who receive a positive offer of a mainstream secondary place at phase transfer (despite them having spent their primary education in a mainstream primary school).
- 1.4 Although the Chancellor has committed to an additional £1bn for SEND in the budget, we do not yet know where this will be targeted. The policy direction from the new government appears to be to shift more provision into the mainstream sector, but how this will manifest itself in terms of funding is not yet known. A decision is, therefore, required at the November Schools' Forum meeting based on the current position. This will enable us to comply with the timescales for making changes to budgets for April 2025.

2. Supporting Information

- 2.1 In the September meeting of Schools' Forum, the HNB position at the end of Q1 24/25 was presented, which showed that we were forecasting a total pressure on the High Needs Block of £2.83m. This was the mitigated figure after the last of the reserves within the HNB had been used.

- 2.2 At last Schools' Forum in September, it was agreed to use the final reserves within the Central Schools' Services Block (CSSB) of £1.049m to offset this figure further, which brought the overall pressure down to £1.79m.
- 2.3 Due to some continued increases in the number of pupils who we are having to place in the INMS sector or educate outside of school on bespoke programmes (as well as some increased costs associated with supporting provision for a range of children with high needs), the forecast deficit now sits at £5.788m; the CSSB mitigations bring this figure down to £4.739m.
- 2.4 Since the last School's Forum, we have been looking at other ways in which we might mitigate the growing pressure further. This is a challenge as the regulations regarding DSG specify that one area of DSG can only be offset by another DSG funding block. These regulations further limit where we can fund resources from and in our discussions with the DfE, there is a clear expectation that we should be looking across all of the DSG budgets in order to address the pressure in the HNB.
- 2.5 When we met with the DfE to discuss the pressures on the HNB, they identified the £18.252m that is currently held within the maintained school 23-24 carry forwards and that consideration should be given as to whether to use this to offset the overall position. We have decided not to pursue this option as it would only impact maintained schools, causing an inequality between maintained schools and academy funding. This will, however, be a potential area of contention should any request for interblock transfer need to go to the Secretary of State.
- 2.6 The other area that we have looked into utilising is the Early Years Block which currently has a contingency of £2.8m. The DfE expects local authorities to have some contingency to support the implementation of the early years reforms. We are currently consulting with providers on using this funding to incentivise the sector to take disadvantaged 2 year olds. This is to ensure take-up remains high and to allow us to have proactive conversations with providers so that they are able to support more children with SEND. Therefore, there is a risk in utilising this area of DSG at this stage. Furthermore, the DfE may decide to recoup some of this funding at the end of the year as they have done in previous years. As with school surpluses, however, this remains an option for consideration in 25-26.
- 2.7 In addition to the above, there are further uncertainties within the system that will have an impact on both school and HNB budgets. For example, we do not know what the level of guaranteed uplift to school budgets will be as a result of the settlement that was announced in the budget. We also do not know how the additional funding for SEND will be allocated to schools and Local Authorities. We are clear, however, that even if the entirety of the additional £1bn was allocated to HNB, this would still leave a deficit of around £1.5bn nationwide. With the very high number of pupils East Sussex has in special schools, we would still have a pressure on the HNB that needs to be mitigated.
- 2.8 We have modelled the impact of different scenarios of Schools' Block reduction to offset HNB pressures. In doing this, we have assumed that there will be a similar increase in the protection for schools (MFG) as was agreed for this year (0.5%). Due to having to maintain the minimum per pupil level factor, this means that 38 schools would not be impacted by any interblock transfer and the remaining 135 would see a reduction in their budget.
- 2.9 In light of the uncertainties around the settlement for 25/26, and the differential impact that the interblock transfer will have on individual schools, we are proposing at this point that we undertake an interblock transfer of £1m. This would see 38

schools having no impact on their budgets for 25/26 and 135 seeing a reduction of between -0.01% and -0.5% (£600 to £39,000). Appendix 3 sets out the implications to schools as if the £1m interblock transfer took place in 24-25. These do not necessarily reflect the schools' budget shares for 25-26.

- 2.10 This would mean that we would be carrying a deficit of HNB into next year of around £3.739m. If the 25-26 allocation for the HNB did not cover this deficit plus our projected spend next financial year (for which we are already forecasting a pressure of £10.2m), then Schools Forum will need to consider a further interblock transfer and/or mitigations from other areas of DSG.
- 2.11 It is clear that there will be more details of the financial settlement from last month's budget in the Spring Statement. By this time we hope for greater understanding around the HNB allocation for 25-26, as well as what the government's vision is to reform England's SEND system. Due to the timescales specified by the DfE, we must make the decision on an interblock transfer at this meeting so that changes to budget shares can be made in time for the next financial year. If, however, we find that the settlement for next year is better than expected, we can reverse some (or indeed all) of the transfer back to individual schools from the HNB.
- 2.12 As we have consistently stated, this is not a position that we would want to be in. However, it is no longer possible to fund a system with high levels of placements in the special school sector without some of the resources for those children following them from the mainstream sector. We are, therefore, bringing forward the proposal today that Schools' Forum supports the recommendation for an interblock transfer from the Schools' Block to the High Needs Block. If this recommendation is not supported, the DfE require us to seek approval from the Secretary of State to transfer the necessary funding from the schools' block to the HNB.
- 2.13 We are hopeful that the new government's agenda will provide enhanced support and resources that will enable mainstream schools to facilitate a more inclusive landscape for the county. However, until we have further details of what this will look like in the Spring, we will have to manage the cost of placements within the current system and the overall envelope of funding within the DSG.

3 Recommendations

- 3.1 In light of the above, it is recommended that Schools' Forum agrees to an interblock transfer of £1m from the schools block to the High Needs Block for the 25/26 financial year.

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Appendix 1 - DfE Regulations governing DSG interblock transfers

7.2 Methodology underpinning the 10% tightening requirement

Local authorities are required to move their local formula factor values at least 10% closer to the NFF factor value, except where local formulae are already mirroring the NFF. This requirement does not apply to the optional, locally determined factors.

For the purpose of the tightening criteria, local factor values within 2.5% of the respective NFF values are deemed to be mirroring the NFF. This means that local authorities which had factor values within +/- 2.5% of the NFF values in 2023 to 2024 will be allowed to set their 2024 to 2025 factor values anywhere within +/- 2.5% of the 2024 to 2025 NFF values. Likewise, no local authority will be required to move their factor values closer than +/- 2.5% of the 2024 to 2025 NFF because of the 10% tightening requirement.

7.7 Minimum per pupil level (MPPL) for primary and secondary schools

This is a compulsory factor. It must be used in local funding formulae, at the NFF values (no ACA is applied to this variable).

The purpose of this factor is for local authorities to provide the NFF minimum per pupil levels (MPPLs) to every school. All local authorities must implement the MPPLs by following the same methodology used in the NFF, summarised below and detailed in the [NFF technical note](#).

Local authorities have the option, as with other aspects of the school funding regulations, to request to disapply the use of the full NFF MPPL values. Such requests should only be made on the grounds of affordability, including in relation to the circumstances set out in the final paragraph relating to the tightening of local formulae within [methodology underpinning the 10% tightening requirement](#).

Appendix 2 - Amended funding factors for £1m interblock transfer as per 24-25 rates

Phase	Primary		Secondary	
	2024/25 Rates	Proposal	2024/25 Rates	Proposal
Lump Sum	£134,400	£134,400	£134,400	£134,400
Per Pupil Primary *	£3,567.92	£3,552.74		
Per Pupil KS3 *			£5,030.78	£5,008.94
Per Pupil KS4 *			£5,669.78	£5,646.28
FSM	£490	£489	£490	£489
FSM Ever 6	£820	£818	£1,200	£1,197
IDACI A	£680	£678	£945	£943
IDACI B	£515	£514	£740	£738
IDACI C	£485	£484	£690	£688
IDACI D	£445	£444	£630	£628
IDACI E	£285	£284	£450	£449
IDACI F	£235	£234	£340	£339
Mobility	£960	£960	£1,380	£1,380
Prior Attainment	£1,170	£1,167	£1,775	£1,770
EALS	£590	£588	£1,585	£1,581
Minimum per pupil	£4,610	£4,610	£5,995	£5,995
MFG	100.50%	100.5%	100.50%	100.5%

* Please note the 2024/25 Baseline per per unit rate was above NFF rates by £5.92 Primary and £8.78 Secondary

Appendix 3 - Summary of £1m interblock transfer from average school budgets as per 24-25 rates

Size of School	Number of schools	Average Monetary Change
Primary School with NOR up to 210 pupils	81	-£1,990
Primary School with NOR 211-420 pupils	51	-£3,531
Primary School with NOR over 421 pupils	15	-£3,560
Secondary School with NOR up to 1000 pupils	10	-£15,640
Secondary School with NOR over 1000 pupils	13	-£28,177
All Through School wit NOR between 1150-1510	3	-£29,200
	173	