

**TO: SCHOOLS FORUM**  
**DATE: 14 JANUARY 2021**

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**UPDATE ON THE HIGH NEEDS BLOCK BUDGET FOR 2021-22**  
**Executive Director of People and Director of Resources**

**1 PURPOSE OF REPORT**

- 1.1 To provide an update on the development of the 2021-22 High Needs Block (HNB) element of the Schools Budget.

**2 EXECUTIVE SUMMARY**

- 2.1 The HNB grant is allocated to LAs by the DfE through a national formula and is intended to fund support for children and young people with the most challenging educational requirements (SEND). It is the most complex part of the school funding framework.
- 2.2 Whilst the total cash increase for the 2021-22 Bracknell Forest (BF) HNB will be 8% per pupil, with the total income retained by BF estimated at £18.998m (+9.7% cash with other data changes in the national formula), this is insufficient to meet the demands forecast. Additionally, as reported in October, the improvement and savings programme has had to be rephased and re-worked to reflect the coronavirus pandemic and current opportunities. The financial challenges being experienced are not unique to BF with many LAs having to set deficit budgets.
- 2.3 Taking account of the update on progress against the actions contained within the SEND Commissioning Plan, the revised medium-term financial forecast indicates a forecast annual deficit of £4.9m which is around 25% of the annual grant allocation. The deficit at 31 March 2023 is now forecast at £14.952m (was £12.686m).
- 2.4 Work will continue in partnership with the HNB sub-group of the Schools Forum to develop further service improvements and cost reductions to remove the reduce the underlying funding gap. This was however expected to present challenges to what are sensitive budgets with the HNB budget heading towards an unsustainable position.

**3 RECOMMENDATIONS**

**3.1 That the Forum NOTES:**

- 1 on-going progress against the actions contained within the SEND Commissioning Plan**
- 2 the current update on the HNB Budget and its medium-term financial plan which now projects a £14.952m deficit at 31 March 2023**
- 3 the expectation that budget proposals will be presented to the next meeting of the Forum**

## **4 REASONS FOR RECOMMENDATIONS**

- 4.1 To ensure the Forum is aware of the significant financial challenges being experienced in the HNB Budget and that a clear plan of action is being put in place.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 A range of options will be considered with the HNB sub-group as the recovery plan is further developed.

## **6 SUPPORTING INFORMATION**

### Funding Responsibilities

- 6.1 The HNB element of the DSG is allocated to LAs by the DfE through a national formula to support pupils with SEND and is intended to fund a continuum of provision for relevant pupils and students from 0-24. LAs in general commission services from providers. In-house arrangements are made in a relatively small number of areas. This is a ring-fenced grant on provisions that LAs have no funding responsibility for.

More information on the scope of the HNB and the determination of LA funding is set out in Annex 1.

### 2020-21 progress on planned Service Developments

- 6.2 The October Forum meeting received an update on service developments and performance against the budget expectations. More work has now been undertaken which is summarised below.

### *Original developments*

- 6.3 In setting the original budget, a significant amount of change in service delivery was agreed with the Schools Forum and approved by the Executive Member. However, a number of factors have impacted the ability to make the changes as originally intended including:

1. The coronavirus pandemic. This has diverted priorities within the council and schools away from the HNB developmental projects
2. Capacity to take forward the range of immediate developments needed.
3. Lack of opportunities to collaborate with key partners.
4. The Annual Reviews and Placement Monitoring officer took up post at the start of August. Although a recent appointment, developments are needed to develop a more robust approach to annual reviews particularly for the post 16 cohort. Initial forecasts suggest that at least 10% of plans could cease as a result of this approach potentially saving £0.150k per annum. Equally important would be the precedent that would be set by establishing this approach to manage processes and expectations for future years.
5. The SEN finance officer formally started at the start of August. An operating model needs to be developed linked to placement decisions as set out in the Code of Practice.

### *Update on new initiatives*

- 6.4 The need to build and grow capacity across the borough is becoming ever-more pressing. The number of EHCPs continues to grow significantly each year with a 38% increase in resultant purchased places expected in the 4 years to January 2021.
- 6.5 The original developments to HNB services and budgets were the first step towards significant change. The following section sets out progress made over the autumn term against these priorities. More detailed work, to establish business cases for each development, is underway.

#### **a) Ensuring appropriate resources across the continuum of support & reducing cost pressures**

- i) The Expressions of Interest (EOI) for primary age specially resourced provision for children with autism has been completed. Two schools submitted expressions of interest and both have had agreement in principle to go ahead. Further work will be done to agree their revenue funding levels. These two provisions will provide a further 20 places in borough for children with autism who struggle to cope full-time in mainstream school.
- ii) SLAs are being agreed for the Special Resource Provisions (SRPs) developed as part of the Special Provision Capital Fund (SPCF). Across the new developments, up to 90 new places will be created (this figure could be higher but we are still awaiting some schools to confirm their capacity), in both secondary and primary phases.
- iii) An Expression of Interest process is being planned for 2021, this time focussing on specially resourced provision for secondary school aged pupils with autism.
- iv) Working with Kennel Lane School supporting their work ensuring appropriate placements are made and that these specialist places are there for those pupils with significantly more complex levels of need.

#### **b) Working with commissioning to improve provision & cost efficiencies**

- i) Review residential placements for complex needs including those for children and young people under Child Protection or who are looked after by September 2021.
- ii) Work has also started to take control of post-16 expenditure, taking a commissioning approach to work with existing post-16 providers as well as looking at procuring new provision. In particular, we are keen to work with Adults' Services to develop new provision which will support young people with SEND into a meaningful adult life.

#### **c) Identifying & progressing next steps for Social Emotional and Mental Health (SEMH) provision**

- i) Analysis of the feasibility of an SEMH Hub is underway. To support this, officers from a number of services have come together to look at how and where we gather data. This will provide a process for ongoing analysis, as well as reliable data projections which is needed to make a case for the new school.

#### **d) Improved control of number of EHCPs**

In addition to new developments which will add places across the borough, we are looking at how we ensure we are maximising existing capacity. To this end, we have completed our consultation with all schools across the continuum of need. This includes:

- i) An improved overview of a consistent application of the Graduated Approach;
- ii) offering the right interventions to schools at the right time via the SEND Intervention Fund/referral to Children's Support Services (as appropriate). This will be in place from January 2021 and details of how to make referrals will be shared as well as published on the local offer.
- iii) We are also reviewing and developing our approach to Annual Reviews specifically for phased transfers.

#### **e) Better governance of SEND processes and procedures**

Current governance and decision-making around the current SEND panel processes, intervention hub and high needs funding allocation have been completed:

- i) Formal consultation with stakeholders regarding proposed changes to were carried out and the new ways of working have been implemented or will be from January 2021.
- ii) Planning is underway to continue the work with schools on updating the funding matrix. This is expected to continue apace in the new year. A Task and Finish group, from the Schools' Forum Sub-Group is meeting on 20 January and 25 February, by which point an interim funding matrix should be finalised and agreed. Further work may need to continue to refine the matrix over the first half of the year.

#### **f) Strategic Commissioning**

The main areas of progress over the Autumn term for the Commissioning Team have included:

- Update: SEND needs and sufficiency analysis completed
- Development and sign off of SEND Commissioning plan and priorities
- A new Commissioning Team structure was set up in June 2019 incorporating a Children's Commissioning team covering SEND, CLA, Care Leavers, Children with disabilities and Early Help.
- Supporting the local area COVID 19 response and provider engagement across Children's, Adults and Integration.

#### **g) Children and Young People's Integrated Therapy – East Berkshire Service Overview**

The Directors across the three East Berkshire LA's (RBWM, Slough and BFC) and the Clinical Commissioning Group (CCG) have agreed to work together for developing a **joint approach** to the commissioning and delivery of Integrated Therapies.

### **Approach to date:**

Integrated Therapies for children and young people across East Berkshire are currently commissioned through a variety of arrangements by the three local authorities and the CCG. In order to develop this approach, it is important to gain an understanding of the need, demand, future demand and cost of the services across East Berkshire.

### **Progress:**

- The CCG supported by the LA's has been focused on working collaboratively with BHFT on improvements to the OT services and reducing the current waiting times.
- Collaboration between BFC and BHFT has resulted in strengthened monitoring around SaLT.
- East Berkshire CYPIT needs analysis completed.
- Best practice sessions with other LA's including Ealing.
- This work has allowed us to develop an initial understanding of service need and challenges but is based on limited engagement due to COVID and a lack of robust data.

### **Next steps**

- Develop a detailed project plan and timeline
- Discovery phase to understand the as is picture across East Berkshire – the current model, pathway and the challenges and barriers around delivering CYPIT from BHFT's perspective.
- The experience, outcomes and impact of CYPIT for children and young people.
- Co-production and engagement with schools, BHFT, CYP and families to develop a service model and pathways.
- Funding of therapies across the three LA's – SEND funding and High Needs Block.
- Agree commissioning and contracting model with a view to having new arrangements in place for April 2022.

## **h) Partnership working and Monitoring of SaLT in Bracknell Forest**

### **Local developments**

An established quarterly contract monitoring for SaLT is now in place. This includes:

- BHFT service leads, BFC Commissioning and Operational leads from SEND and Early years
- Focused on early years, school age and 16 – 25 provision
- Activity data including referrals, contacts and waits
- Developing qualitative feedback too
- BHFT and BFC maintained good contact and all monitoring meetings continued utilising remote technology.
- No concerns at this time around waiting lists, however work around tribunals can be time and resource intensive for BHFT therefore joint work to map out the work/process to identify where learning and improvements can be made will take place in 2021.

## Summary

- Recovery and restoration planning is ongoing and face to face contacts in schools continue to increase.
- A blended model of service delivery continues to be in place consisting of face to face contacts, telephone and online consultations to best meet the clinical needs of the CYP.
- BHFT training packages are being developed that can be delivered virtually in order to support new working practices and ensure sustainability within the service.
- The CYPIT online resource has provided a level of ongoing support and advice, easily accessed by families.
- Feedback is now automatically requested in the form of an online questionnaire at the end of every 'One Consultation' session. Once online training commences, feedback will be requested at the end of every session which will be analysed, shared with BFC and used to inform service delivery and development.

## Financial Forecasts

- 6.6 The October Forum meeting received an update to financial forecasts based on the August 2020 budget monitoring cycle, progress against the SEND Commissioning Plan and expectations around the medium-term funding allocations to be received from the DfE. This reported that the original £1.5m per annum underlying overspend will increase to an average of around £4.2m – over 20% of the annual grant allocation - with the forecast deficit at 31 March 2023 now at £12.686m.
- 6.7 Reflecting on latest progress on service developments and actual financial performance in 2020-21 (to the October monitoring cycle), current forecasts now indicate a £4.954m in-year over spend (further increase of £0.562m from the October Forum report). With the general expectation that the majority of expenditure now being incurred will be fixed for the short to medium-term, this has a significant effect on the medium-term forecast deficit.
- 6.8 For 2021-22 and 2022-23, updated forecasts have been determined from key assumptions and trend data and will be reviewed as further progress is made on the actions contained within the SEND Commissioning Plan. This includes:
1. Annual increases in paid places for EHCP pupils of 7.5%. Recent 4-year average is 9.5% but is expected to be lower due to impacts from the SEND Commissioning Plan.
  2. Annual increases in average cost of placement of 2.5%. Recent 4-year average is 5.5% but is expected to be lower going forward as a result of the public sector pay freeze.
  3. Increase in income from the DfE of 8%. This reflects the increases received in the first 2 years of the 3-year Education Spending Review funding allocation. Whilst detailed spending plans for 2022-23 have yet to be announced, the overall increase in total funds is similar to the first 2 years.
  4. Pending completion of an updated cost plan from the service developments, all expected savings on placements have been slipped forward a year.

Annex 2 presents highlight data used for the budget assumptions. It also highlights spend by SEND category and placement type over the past 4 years.

- 6.9 Table 1 below sets out a summary of the revised medium-term financial forecast, reflecting the changes set out above. The current forecast is for a £4.9m per annum overspending which is around 25% of the annual grant allocation. The deficit at 31 March 2023 is now forecast at £14.952m (was £12.686m).

Table 1: HNB Budget: Medium term financial forecast after interventions

Item	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
<b><u>Forecast income:</u></b>				
HNB DSG income - gross	16.892	18.549	20.228	21.846
Import / export deduction at other LEAs	-1.101	-1.158	-1.158	-1.158
Academy places deduction	-0.253	-0.072	-0.072	-0.072
Net retained funding	15.538	17.319	18.998	20.616
Anticipated change - net retained		1.781 11.5%	1.679 9.7%	1.618 8.5%
<b><u>Forecast spend - no interventions:</u></b>				
Forecast spend - no interventions	18.684	22.559	24.613	26.867
Annual change		3.875 20.7%	2.054 9.1%	2.255 9.2%
<b><u>Planned interventions:</u></b>				
SEND support stage		-0.054	-0.068	-0.068
Reducing demand for EHCP		-0.082	-0.082	-0.585
Review PAN at specialist providers		-0.150	-0.200	-0.200
Reducing reliance on external providers		0.000	-0.041	-0.064
Improved commissioning		0.000	-0.197	-0.290
Central Services:		0.000	-0.084	-0.130
Forecast impact of interventions		-0.286	-0.672	-1.337
Cumulative		-0.286	-0.958	-2.295
<b><u>Anticipated funding gap after interventions:</u></b>				
Annual	3.146	4.954	4.943	4.914
DSG reserve 31/3/20	-3.079			
Cumulative	0.141	5.095	10.038	14.952

Next Steps

- 6.10 Further work will be undertaken on the actions within the SEND Commissioning Plan with detailed budget proposals to be presented to the Forum for consideration at the next meeting in March.

## **7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 7.1 As set out in the report High needs funding is provided to local authorities through the high needs block of the dedicated schools grant (DSG). Local authorities must spend that funding in line with the associated conditions of grant, and School and Early Years Finance Regulations.

### Director of Finance

- 7.2 The financial implications anticipated at this stage confirm the expected significant deterioration in the financial position of the HNB budgets. A number of developments are planned that may make a contribution to cost reductions. However, a funding gap remains, and the budget is heading towards an unsustainable position.

### Equalities Impact Assessment

- 7.3 The budget proposals ensure funding is targeted towards vulnerable groups and therefore an EIA was not required.

### Strategic Risk Management Issues

- 7.4 There are strategic risks around ensuring all schools remain financially stable as well as pupils with SEND receive timely and appropriate support for their education. A failure to develop a plan for a sustainable HNB budget will place at risk the need to make more drastic changes at a later date.

## **8 CONSULTATION**

### Principal Groups Consulted

- 8.1 Schools, the Schools Forum, including the HNB sub-group and the People Directorate Management Team.

### Method of Consultation

- 8.2 Formal consultation and written reports.

### Representations Received

- 8.3 Incorporated into this report.

### Contact for further information

Paul Clark, Business Partner – People Directorate (01344 354054)  
<mailto:paul.clark@bracknell-forest.gov.uk>

Kashif Nawaz, Head of Children's Support Services (01344 353318)  
[kashif.nawaz@bracknell-forest.gov.uk](mailto:kashif.nawaz@bracknell-forest.gov.uk)

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## Overview of the HNB Budget

1. The HNB element of the DSG supports pupils with special educational needs and disabilities (SEND) and is intended to fund a continuum of provision for relevant pupils and students from 0-24. LAs receive funding for these provisions from the DfE and in general commission services from providers. In-house arrangements are made in a relatively small number of areas.
2. The DfE has determined that where the cost of provision is above £10,000 it will be classified as high needs. In such circumstances, a “place-plus” approach to funding will generally be used which can be applied consistently across all providers that support high needs pupils and students as follows:
  - a. **Element 1 or “core education funding”**: equivalent to the age-weighted pupil unit (AWPU) in mainstream schools, which the DfE has stated the national average is around £4,000.
  - b. **Element 2 or “additional support funding”**: a budget for providers to deliver additional support for high needs pupils or students with additional needs of up to £6,000.  
  
Specialist and Alternative Providers (AP), such as special schools and Pupil Referral Units (PRUs) only cater for high needs pupils and therefore receive a minimum £10,000 (Element 1 funding plus Element 2) per agreed place.
  - c. **Element 3, or “top-up funding”**: funding above elements 1 and 2 to meet the total cost of the education provision required by an individual high needs pupil or student, as based on the pupil’s or student’s assessed needs. This element is paid to all provider types, for pupils with assessed needs above the £10,000 threshold.
3. Additionally, HNB DSG is also intended to be used where high needs provisions are not arranged in the form of places e.g. specialist support for pupils with sensory impairments, or tuition for pupils not able to attend schools etc.
4. The statutory regulatory framework requires the council to decide on the arrangements to be put in place for the HNB and associated resources and for the Forum to comment on their appropriateness. The current approach in BF is to develop the services during the year in partnership with schools and has therefore created a sub-committee of the Forum to gather views and help shape arrangements. Final budget decisions are taken in March each year by the Executive Member for Children, Young People and Learning.

### DfE Reforms

5. A new National Funding Formula (HNB NFF) was introduced in April 2018 to replace a system that largely allocated funding based on historic spending decisions. The core elements of funds distribution to LAs now comprises:
  1. **Basic entitlement** (initially £4,000 per pupil / student that the LA is responsible for educating that is attending an SEN institution)
  2. **Historic spend** (50% of 2017-18 baseline amount agreed with each LA)
  3. **Population** (Share of national budget allocation based on projected 2-18 year olds at the relevant mid-year as a proportion of all 2-18 year olds)
  4. **Free school meals** (Share of national budget allocation based on resident pupils eligible to FSM as a proportion of all pupils eligible to FSM)
  5. **Income Deprivation Affecting Children Index** (Share of national budget allocation based on number of 2-18 year olds in IDACI bands A-F as a proportion of all pupils in IDACI bands A-F)

6. **Bad health** (Share of national budget allocation based on number of resident children aged 0-16 in bad or very bad health in the general population census as a proportion of all projected children in bad or very bad health)
7. **Disability** (Share of national budget allocation based on number of resident children aged 0-16 for whom parents are eligible to disability living allowance (DLA) as a proportion of all eligible DLA families)
8. **Key Stage 2 low attainment** (Share of national budget allocation based on number of resident pupils who did not attain level 3 in reading tests plus those that did not attain a scaled score in reading test or were not entered as a proportion of all relevant children)
9. **Key stage 4 low attainment** (Share of national budget allocation based on number of resident pupils who did not attain 5 GCSEs at grades A\* to G as a proportion of all relevant children).
10. **Hospital education** (LA specific funding based on budgeted spend)

6. One of the key outcomes for the DfE from these reforms is to ensure that any change in the amount of funding allocated to individual LAs must be introduced slowly to allow those areas facing reductions time to adjust to the new amounts. This is because expenditure is mainly incurred on educational fees and these generally remain unchanged throughout the course of each pupil's time in the relevant institution which often presents commitments for over 10 years. Therefore, in addition to the core factors set out above, there will be further adjustments to each LAs HNB funding as follows:

1. An initial funding floor adjustment to add the cash amount difference where the normal operation of the HNB formula does not deliver at least a 0.5% increase in per head (2-18 year old population) funding compared to the baseline amount of expenditure. The protection is are not calculated on elements of the formula that are subject to later updates and are in proportion to estimated population changes (so a projected decrease in population will result in a lower overall cash percentage increase, subject to a cash protection).

There is a net £174m cost to the Funding Floor in 2020-21, which amounts to 2.1% of total funding and illustrates the importance of moving to the new formula in a measured way.

For LAs experiencing a reduction in population, there will be a second funding floor adjustment to ensure total cash funding does not fall below the baseline amount. Note, the funding floor adjustment is not applied to the basic entitlement factor i.e. current numbers of high needs pupils and students or the import / export adjustment (see note 2. directly below) as the DfE want to ensure that year on year changes in these factors are reflected in a LAs funding.

2. An import / export adjustment so those LAs sending out more pupils to other LAs lose £6,000 per pupil funding to reflect the requirement of the resident LA to finance all place funding in the SEN institutions in their area, irrespective of which LA places the student. This amount is added to the £4,000 per pupil / student funding included in the main formula to achieve the £10,000 place funding cost. This is a lagged adjustment. LA funding allocations are adjusted from January census data, but actual places purchased will generally be based on actual student numbers taking up places during the year.

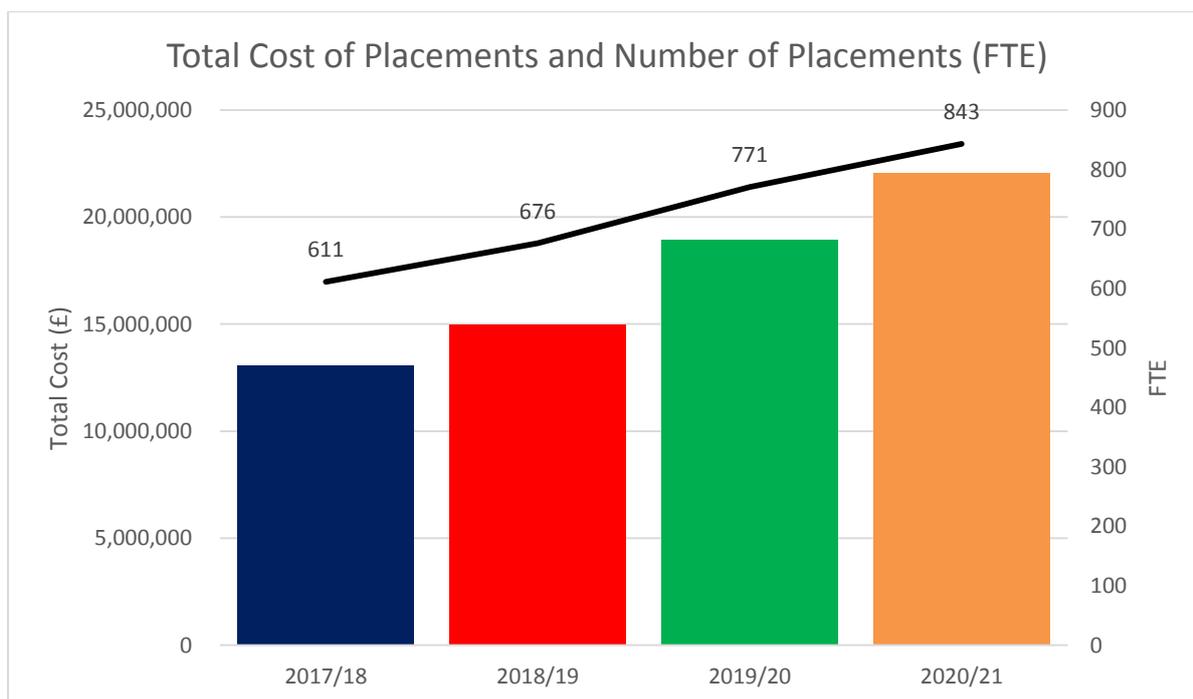
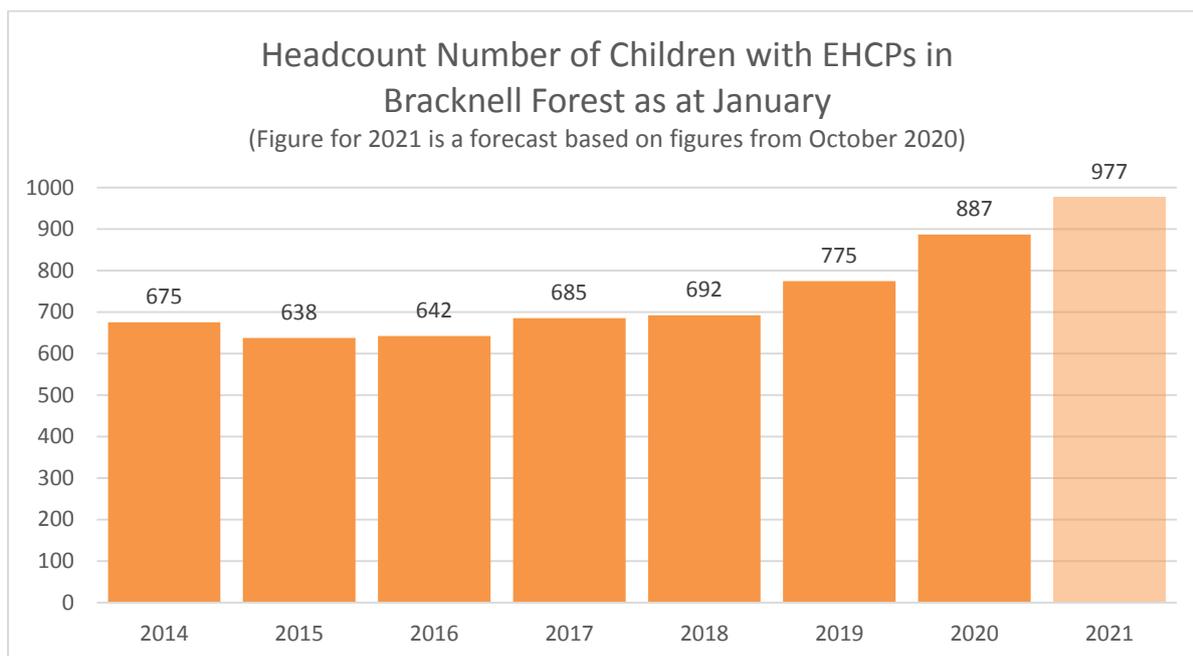
This removes some of the unfairness in the previous funding system where LAs did not generally contribute to Element 1 and 2 costs for their students in institutions in other LAs.

7. An area cost adjustment will be applied where relevant (7.4% uplift for BFC) to all factors other than historic spend as this will already reflect local cost variations. This recognises additional costs in some areas, most notably enhanced salary payments in and around London, and follows the same approach adopted by the DfE in the funding reforms introduced for mainstream schools. The HNB area cost adjustment comprises 2 elements: one for non-teaching staff; and another for teaching staff. As the ratio of teaching to non-teaching staff in

special schools is different from that in mainstream schools, this calculation is different to that used in the School NFF (where the BFC area cost adjustment is 5.6%).

8. The new HNB NFF will deliver significantly less funding to BF than the current arrangements. The draft 2021-22 HNB DSG update from the DfE indicates £2.857m funding protection for BFC, which is around 14% of total funding which clearly illustrates the importance of the funding floor adjustment from a BF perspective. On average, LAs receive 2.1% of their HNB funding through this factor.

Summary Data SEN trend data

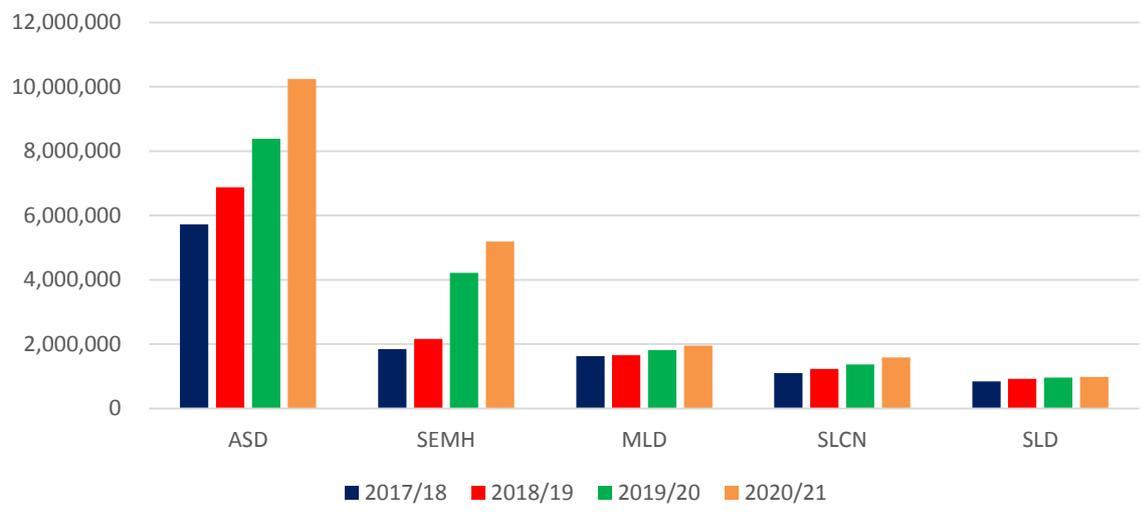


69% increase in total spend

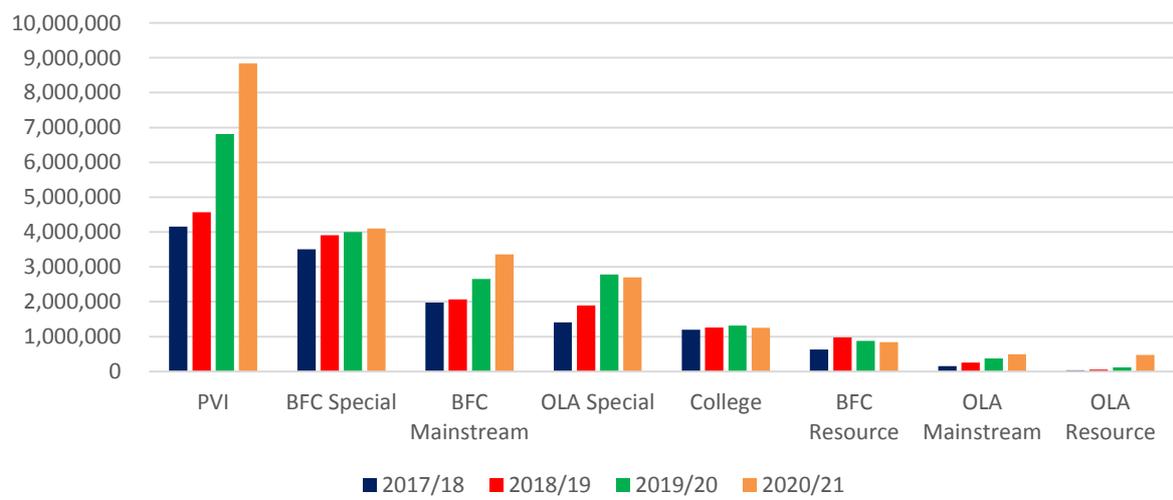
38% increase in FTE

22% increase in average placement cost

Total Cost Per Need for Five SEND Categories Forecast to Result in Highest Costs in 2020/21



Total Cost of SEND Placements Per Provision Type



	PVI	BFC Special	BFC Mainstream	OLA Special	College	BFC Resource	OLA Mainstream	OLA Resource
Proportion of total costs in 17/18	32%	27%	15%	11%	9%	5%	1%	0%
No of FTE 17/18	80	152	196	57	82	24	14	4
Proportion of total costs in 20/21	40%	19%	15%	12%	6%	4%	2%	2%
No of cases 20/21	130	155	278	87	92	45	35	21