

TO: Schools Forum
DATE: 29 March 2022

2022-23 Proposals for the High Needs Block Budget
Executive Director of People

1. Purpose of Report

- 1.1 The purpose of this report is to seek comments on the detailed budget proposals for the High Needs Block (HNB) element of the Schools Budget that are being presented now by the Council. In line with the statutory funding framework, there are also a small number of decisions for the Forum to take.

2. Executive Summary

- 2.1 The HNB funds support for children and young people with the most challenging educational requirements. It is the most complex part of school funding framework, with budgets needing to be set before a number of funding allocations are confirmed by the Department for Education (DfE).
- 2.2 The previous meeting of the Schools Forum on 10 March could not agree the initial 2022-23 budgets proposed for the High Needs Block (HNB), specifically those related to the developmental savings initiatives. Work with representative headteachers has subsequently been undertaken that has provided further detail and clarity on the SEND strategy and resultant budget implications with an acceptance that based on existing information, the current proposals are reasonable, but that further work is required to the medium-term financial forecasts and that options need to be presented to the Forum in autumn term 2022 that outline how a budget can be set that ensures planned expenditure can be contained within forecast income.
- 2.3 The proposals in this report are therefore unchanged from those presented to the Forum on 10 March with the medium-term financial forecast to 31 March 2025 indicating a cumulative deficit at 31 March 2025 of £36.371m. An additional recommendation has been added to commit the council to produce options to balance the medium term HNB budget, to be presented in autumn term 2022.

3 Recommendations

3.1 That the Forum agrees that the Executive Member:

- 1. sets the total HNB budget at £28.907m,**
- 2. releases £0.210m of funds from the SEND Units Reserve to finance ongoing diseconomy costs at the new Special Resource Provisions**
- 3. confirms the changes set out in the supporting information at Table 1 and Annex 2 of Appendix 1**
- 4. confirms relevant budgets to those summarised in Annex 3, Appendix 1.**
- 5. ensures that a medium-term financial plan is presented to the Forum in the autumn term 2022, setting out options to balance annual expenditure to annual income**

3.2 That the Forum comments on the appropriateness of arrangements in place for:

- 1. The education of pupils with SEN (paragraph 6.19), and**
- 2. The use of pupil referral units and the education of children otherwise than at school (paragraph 6.196.19).**

3.3 That the Forum notes the forecast financial position of the HNB Budget at Table 1, which shows a forecast £7.408m over spending in 2022-23 and a £36.371m cumulative deficit as at the end of March 2025.

4 Reasons for Recommendations

4.1 To ensure that the HNB Budget is set in accordance with the funding framework, the expected needs of pupils and that the views of the Schools Forum are considered.

5 Alternative Options Considered

5.1 The proposals reflect the actions contained in the SEND Commissioning Strategy.

6 Supporting Information

Background

6.1 Initial 2022-23 budget proposals for the HNB were presented to the previous meeting of the Forum on 10 March for comment, together with the statutory consultation with the Forum on the appropriateness of provisions for education of pupils with SEN and the use of pupil referral units and the education of children otherwise than at school.

6.2 Following debate, the Chair summarised that the Forum did not have sufficient confidence in the details included in the report for the new savings developments to agree the recommendations relating to the resultant HNB budget proposals and provisions for pupils. However, there was a recognition that the budgets supporting ongoing services were acceptable.

6.3 In order to progress the developmental elements of the budget, the Forum agreed that an additional meeting would be held and that a small group of representative Headteachers from the Forum would meet in advance with LA officers to plan what was required to be presented to enable a budget for 2022-23 to be agreed.

LA Officer / Headteacher planning meeting

6.4 This meeting took place on 14 March, for which LA officers circulated in advance responses to the comments and questions raised in the *Notes and views of headteacher representatives* that were talked to at the 10 March Forum meeting. Additional context and financial details were also circulated relating to the development budget proposals contained in paragraph 6.16 point 7 of the *2022-23 Proposals for the High Needs Block Budget* agenda item.

For information, the *2022-23 Proposals for the High Needs Block Budget* is included in full at Appendix 1.

- 6.5 In summary, the headteacher representatives attending the planning meeting concluded that the Forum required:
1. further clarity and context on the SEND strategy
 2. the developmental budget proposals contained in the *2022-23 Proposals for the High Needs Block Budget* reported to the 10 March Forum (paragraph 6.16 point 7 of Appendix 1) be re-presented with additional information and financial details
 3. a medium-term financial plan to be presented in autumn term 2022 setting out options to balance annual spend to annual income
- 6.6 In terms of producing options for a balanced budget within 5 years, the council shares this ambition with schools, however there are areas that are dependent on the development of sites, cooperation of Headteachers and governors and greater retention of pupils in BF schools. Achieving the ambition will be reliant on successful and timely progress on all these areas.
- 6.7 There was also a recognition that decisions needed to be made on the allocation of funds for 2022-23 for which the vast majority related to updating budgets to current levels of commitments together with adding new provision for general budget pressures around the anticipated increased numbers of pupils receiving EHCPs, pay and price inflation and a small number of specific growth items. It was agreed that the proposals originally presented for these items should be agreed, together with forecast DSG income. This is items 1-6 inclusive below in paragraph 6.12 which remain unchanged from the 10 March Forum report.
- 6.8 There was also acceptance that the developmental budget proposals were medium term in nature and had the potential to deliver greater savings than indicated, but at this stage insufficient information was available to confidently include forecast financial effects in reported predictions. Additionally, some of the proposals would deliver significant financial benefits outside the current forecast period.
- 6.9 Having received additional information on the -£0.515m package of 2022-23 developmental budget savings, the headteacher representatives agreed that the original proposals should be re-presented to the Forum, but with additional information. This is item 7 below in paragraph 6.12, with changes from the 10 March Forum meeting shaded yellow.

SEND strategy

- 6.10 There are key areas required to reduce the budget deficit and ensure best provision and value for money:
- Ensure that systems are efficient and best value for money by ensuring greater scrutiny regarding budget spend. Also ensure that the Commissioning service are involved in placements to negotiate best value costs for necessary placements and detailed SLAs detailing the services agreed, which can then be audited against with regards to delivery and quality. These are now in place and savings identified, during the 2021-22 budget.
 - Early intervention and top up funding awarded through a rigorous panel process, is in development. Early identification, support and intervention when implemented well, is acknowledged as the most effective process to stop SEND issues escalating. This is being developed with schools and supported by the

Early Years and CDC team, SEN specialist teams, STEPs and via the SENCo forum. This work has started.

- The highest cost to the High Needs Block budget is the 300 out of borough placements, annual fees circa £14m per year. The reason for these placements is due to a lack of placements within borough and under the SEN Code of Practice a requirement to provide children and young people with appropriate provision. If there is no in borough provision, parents are supported by the tribunal process to insist and be allocated the placement they choose, irrelevant of cost. To address this lack of provision SRP's and a unit have been developed, a review of capacity and potential expansion of Kennel Lane School has started and potential developments, with regard to secondary phase SRP's / unit and an SEMH hub are now under discussion and consideration. To support this a SEND sufficiency survey has been undertaken to further identify developing demand. This has been incorporated in the Capital Strategy document which is currently in consultation and sign off process. Therefore, the key area where savings can be made will be to identify and develop the required in borough SEND placement provision, which would be significantly lower in cost compared to the independent and therefore reduce this significant spend.
- Transition points are the key to moving children and young people into new placements. Processes to identify need and placements have now been developed, which then will assist place planning in the future. It is extremely difficult and not accepted practice to move a child or young person outside transition points; parents and families will be very resistant, particularly when the child is settled and doing well. Therefore, once new provision has been developed, it will be essential to identify which children and the appropriate transition point when families will be advised to move them into these placements. This process is not a short term but a medium term strategy dependent on the development of the in borough provision and the related timelines in delivering the actual provision and then moving children and young people into that provision.
- Parents and families need to be engaged in the process, therefore we have started to engage and develop regular parent forum meetings, which are starting to gain momentum.

6.11 In the short term, the main savings will be achieved by ensuring efficiencies. In the medium to long term there is a need to implement early response, intervention, strong inclusive practice, training and support to meet the needs of more young people in mainstream schools, then when their needs exceed the capacity of support available ensure that we have sufficient provision, in borough, for them to have more specialist provision. In the long term only the most complex young people with SEND who require education and residential provision would likely be educated out of borough which in current figures would be around six in number.

Budget Proposals (changes from 10 March Forum report are shaded yellow).

6.12 Financial forecasts for the HNB Budget have previously been completed to the end of the 2019 Spending Review (SR) proposals which ran to March 2023. With the SR21 having now been published, and a new medium-term plan required, revised forecasts have been produced for 2022-23 and new ones included through to 2024-25. As well as reflecting the latest government spending announcements, they also incorporate current on-going commitments, key assumptions relating to new requirements and the revised expectations relating to the delivery of the savings included in the SEND Commissioning Plan. These are summarised in Table 1, with more commentary below, split between 2022-23 impact and future years:

The 2022-23 budget proposals for the High Needs Block presented to the Forum on 10 March is shown in paragraph 6.16 of Appendix 1.

1. As set out above, there is expected to be a £2.321m (+12.1%) cash increase in DSG income from the DfE for 2022-23. This is a provisional increase and is expected to change when final census data for SEND placements are confirmed in June, including the updated import / export adjustment between LAs for out of borough placements.
2. Whilst detailed government spending plans for the period 2023-25 are not known, the DfE are advising LAs to “use an assumption of a 5% year-on-year increase in 2023 to 2024, and 3% beyond that”. This suggests increases of around £1.137m in 2023-24 and £0.716m in 2024-25.
3. £7.638m additional spend to bring the 2021-22 forecast overspend compared to the £19.178m DSG income into the on-going base budget calculation and therefore reflect the medium-term nature that most of the newly made commitments represent on budgets. Rolling commitments therefore amount to £26.816m. The aggregation of columns C and E of Annex 1 set out the 2021-22 on-going spend requirement in 2022-23.
4. £1.288m for annual increases in the number of EHCP pupils which are forecast to increase by 7% (79 extra EHCPs), compared to 10% between January 2021 and 2022 and 16% between January 2020 and 2021.

To reflect the graduated approach to learning, there is an expectation that a high proportion of pupils will remain in mainstream settings and therefore 75% of new places are assumed to be placed in mainstream settings, 5% in SRPs, 10% in special schools and 10% in PVI special schools.

The rate of increase in EHCP pupils is forecast to continue to rise in future years but reducing to 5% (60) in 2023-24 and 3% in 2024-25 (38). This equates to further pressures of circa £1.015m and £0.688m.

5. £0.123m for the following specific new 2022-23 budget pressures:
 - a. A re-banding of a number of students at Kennel Lane Special (KLS) School will result in net additional funding of £0.085m.
 - b. With the Rise ASD Resource Provision now open to all year groups and close to full capacity, charges to other LAs for out of borough placements will no longer include an addition to contribute to start-up and diseconomy costs. Current budgeted income will not therefore be achieved and has therefore been removed (£0.038m).

Whilst no specific items have been identified as arising in future years, for budget planning purposes, the assumption is that a similar amount of pressure will emerge each year and is therefore included in the medium-term financial plan.

6. £1.195m for annual inflationary increases (average 4.4%) from:
 - a. 3.9% for provisions in LA schools and services centrally managed by the council. This is the mid-point estimate of expected cost increases in mainstream schools, as reported to the Forum in January. It takes account of anticipated pay awards, increases in LG pension costs, general price inflation and the 1.25% increase in employer NI contributions through the Health and Social Care Levy.

This means top up funding (Element 3) for mainstream schools will increase by 3.9%.

For the specialist SEND providers – Kennel Lane Special School, College Hall Pupil Referral Unit and the SRPs – where funding follows the DfE “place-plus” approach, as the funding threshold set by the DfE remains unchanged for commissioned places at £10,000, additional funding for inflation can only be paid to schools through adjusting top up funding (Element 3). To ensure these providers are adequately funded to an overall inflation uplift of 3.9%, the top up rates will therefore need to increase by a higher rate than 3.9%.

The precise rate of increase will vary by provider and will depend on the different proportions of place to top up funding each school’s budget comprises and will typically amount to around 6%. A similar rate of increase is assumed to be applied for BF placements in other LA schools.

- b. 5.0% for provisions in PVI and other external settings, reflecting the agreed increases to the National Living Wage and National Minimum Wage rates (most common rates increasing between 4.1% and 9.8%), Health and Social Care Levy and other pressures

Inflation is expected to be at a lower rate of increase in future years, with 3.5% assumed for 2023-24 and 2.0% for 2024-25. These assumptions indicate cost increases of £1.010m and £0.594m respectively.

7. -£0.515m aggregate cost reductions from the updated savings plan from:

- a. Increased use of SRPs: The primary school SRPs that opened in September 2021 – Birch Hill, Harmanswater, Owlsmoor, the Pines and Sandy Lane - now have 32 BF resident pupils on roll, with a notional capacity of around 70. In discussion with the schools, a further 15 placements to 47 are expected from September 2022. The projected impact of this additional in-borough capacity is to have prevented 12 higher cost placements, with 3 pupils likely to have remained in mainstream settings with appropriate levels of additional financial support.

To help manage the start-up and diseconomy costs anticipated for the first 2 years in the SRPs opened in September 2021 as pupil numbers build up to a financially viable level, the Forum has previously agreed to the creation of an SRP Development Reserve – initially to support the opening of the Rise ASD provision at Garth Hill College with the potential for more provisions in the future - which at the start of the financial year held £0.459m. Funding of £0.177m is expected to be required in 2021-22 compared to the £0.143m estimated when the budget was set, and a further estimated £0.210m in 2022-23. The remaining £0.072m balance is expected to be utilised in 2023-24.

The budget proposals for SRPs therefore include using all of this Reserve funding for start-up and diseconomy costs. The amounts quoted below are therefore the amounts funded by the DSG.

This initiative is not expected to impact on the overall number of EHCPs but rather to use a lower cost provision. Savings increase as more pupils are admitted to SRPs with a net saving of £0.124m forecast for 2022-23, primary through fewer placements in special schools, both maintained and private, voluntary and independent (PVI) sector.

The impacts in 2023-24 are forecast to involve a further 19 placements in SRPs (10 primary, 9 secondary). The forecast for primary school admissions is based on remaining places and discussions with relevant schools. For secondary school admissions, these are in the early planning stage and therefore more speculative. The forecasts allow for 3 provisions, each admitting 3 pupils per year) with net additional savings of £0.400m, and for 2024-25 a further 14 placements in SRPs (5 primary, 9 secondary). These forecasts are calculated on the same basis as per those for 2023-24) and additional net savings of £0.658m.

In summary, for primary school SRPs, 47 placements are expected at September 2022, plus a further 15 in the next 2 years, up to 62 at September 2023 compared to around 70 available places. This makes allowance for some other LA pupils and vacancies. Delivery of places in secondary school SRPs will be determined through discussions with interested schools and therefore remain in outline numbers of 9 admissions at the start of each academic year.

As the SEN Development Reserve is expected to be fully utilised in 2023-24, diseconomy costs arising at the planned Secondary schools SRPs will need to be funded from within the overall DSG income.

- b. Increase the number of BF resident pupils attending KLS School
Planning conditions limit the capacity at KLS to 198 students and BF commissions all these places. Current admissions information indicates there are 197.5 FTE students on roll, split 160.5 FTE BF resident and 37 other LAs.

Whilst it is recognised that there will always be cross border movement of students between special schools and SRPs, placing a higher number of BF resident students in KLS remains an objective to support more students in their home community as well as reducing travelling time, carbon emissions and costs. The council is working to increase local student placements with the aim of increased BF admissions and no other LA admissions into EYFS from September 2023.

The budget assumes 5 extra BF resident pupils attending KLS in Early Years Foundation Stage (EYFS) in September 2023, with similar increase each subsequent September. This reflects the current 5 other LA pupils at KLS EYFS.

If successful, this is expected to result in savings to the HNB of £0.063m in 2023-24 and a further £0.105m in 2024-25. Savings are expected to continue to grow in future years.

- c. Increase the number of pupils receiving support in mainstream schools:
Improving training and support to schools, including governors, and where relevant, allocating additional financial resources to enable earlier intervention and an increased ability to meet the need of pupils in mainstream schools.

This will require investment in 3.0 FTE specialist support staff at SENCO equivalent skills, one for each locality area, for a time limited period to from April 2022 to August 2024. This would be supplemented with on-going additional top up funding for mainstream schools to reflect the

higher support needs being managed. The forecasts assume that for each external placement avoided, the mainstream school retaining the high needs pupil would receive additional financial support in accordance with the funding matrix. This is estimated at an average £10,000 per pupil.

This is expected to reduce the number of requests for high cost, external placements with overall numbers of EHCPs not expected to reduce initially. An overall reduction in EHCPs can be expected over time as schools benefit from additional Early Help, other support and training to prevent some pupil needs progressing to an EHCP. There is expected to be scope in future years to increase savings once implemented and outcomes from the initiative emerges.

This initiative is expected to reduce the number of high cost EHCPs by 23 by the end of 2022, primarily with less PVI and alternative provision (AP) placements, with a part year effect saving of £0.695m, reducing to £0.391m once the additional for mainstream schools is taken into account.

The impacts in 2023-24 are forecast at a further reduction of 18 high cost EHCPs by year end and further net saving of £0.871m, and for 2024-25 at a further reduction of 14 high cost EHCPs and a net saving of £0.827m.

d. KLS outreach and increased capacity.

With demand for local special school places exceeding the available capacity at KLS, discussions are underway to explore the feasibility of two solutions.

Firstly, an outreach service to support children and young people stay within their mainstream settings. The outreach offer is expected to involve a small number of staff supporting schools with the most challenging pupils and is expected to be cost neutral to operate. This could be through the impact of resultant cost reductions, a traded service or a combination of both.

Secondly, an initial discussion has taken place about KLS operating a satellite site at another location. At this stage, the capacity for the satellite site is expected to be for approximately 40 children. This would then increase capacity at the main KLS site as some learners currently based there would transition to the new satellite. For planning purposes, opening a satellite site is expected to be from September 2023. In addition, the current KLS site will need refurbishing / repurposing. This work can take place prior to September 2023.

The financial assumptions are that 10 extra places will be available for KLS from September 2023, increasing by 10 each subsequent September, with full capacity achieved in 4 years. It is assumed that external places avoided will occur at a slower pace, with approximately half this number of places avoided initially, eventually reaching a similar level to the 40 new places expected to be available to KLS. Cost per place is assumed to be at the highest level currently provided at KLS, with savings at 85% of the average external placement.

Therefore, the budget assumes this provision grows over time with KLS able to take more pupils into EYFS / KS1 by moving current numbers off site to the new provision or putting the new provision on the new site. There is no expectation that all 40 places will be filled immediately as that will require a large number of pupils moving from their existing provision.

Whilst savings from reduced numbers of out of borough placements are expected at around £0.020m per pupil, due to the likelihood of needing to incur start-up and diseconomy costs, there is not expected to be any significant financial impact from this initiative over the current medium-term period to the end of 2024-25. At full capacity, annual savings of between £0.500m and £0.750m are forecast.

e. Social, Emotional and Mental Health (SEMH) Hub.

As well as seeking to increase the number of special school places at KLS, there is also an ambition to provide more local support to pupils with SEMH needs.

Early planning is underway for an SEMH Hub, with the potential to offer an assessment service as well as placements. At this stage, the intention is to provide around 30 places with capacity to undertake 10 assessments a term, with each assessment lasting 2 terms. For planning purposes, opening is expected to be from September 2023.

The anticipated delivery outcomes from this proposal are similar to those for the KLS satellite proposal above.]

The budget assumptions are also similar to KLS satellite. There are expected to be 10 new places available from September 2023, increasing by 10 each subsequent September, with full capacity achieved in 3 years. It is assumed that external places avoided will occur at a slower pace, with approximately half this number of places avoided initially, eventually reaching a similar level to the 30 new places expected to be available. Cost per place is assumed to be at the highest level currently provided at KLS plus £5,000, with savings at 85% of the average external SEMH specific placement.

Therefore, the budget assumes this provision grows over time. There is no expectation that all 30 places will be filled immediately as that will require a large number of pupils moving from their existing provision.

As with the proposal to increase capacity at KLS, this initiative would generate savings from reduced numbers of out of borough placements. However, due to the likelihood of needing to incur start-up and diseconomy costs, there is not expected to be any significant financial impact from this initiative over the current medium-term period to the end of 2024-25. At full capacity, annual savings of between £0.500m and £0.750m are forecast.

- 6.13 To reflect the long-term nature of implementation of these initiatives as well as risks around the assumptions made on volatile, high-cost budgets, it is important to remember that the medium-term financial plan will be updated on a regular basis with the expectation that the anticipated financial implications will also be subject to change. This is particularly relevant at this point in time as most of the large-scale new developments

are in their initial stages, or yet to commence, and therefore lack sufficient actual evidence of impact to present confirmed financial implications.

- 6.14 Furthermore, a number of the savings plan items set out above will also require a detailed business case to verify current forecast outcomes. Some will also require capital funding for which costs have yet to be quantified or funding sources identified.

Updated HNB Budget Medium term financial forecast

- 6.15 Table 1 below sets out a summary of the revised medium-term budget plan, reflecting the changes set out above. The forecast deficit at 31 March 2025 is £36.371m and includes savings in 2024-25 of £3.439m.
- 6.16 There is a forecast over spending in 2022-23 of £7.408m which reduces to £6.140m in 2024-25 and reflects the longer-term nature to implement the largest aspects of the plan, with a number being invest to save projects requiring additional spending in the shorter term.
- 6.17 Due to the volatile and unpredictable nature of pupil needs it is not always certain where the most suitable support arrangements are and where the education support will ultimately be delivered. The detailed budget changes anticipated at service level are set out in Annex 2 with Annex 3 showing the resultant summarised budget lines.

Table 1: HNB Budget: Medium term financial forecast

Item	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Forecast income:					
HNB DSG income - gross	18.549	20.328	22.741	23.878	24.594
<i>Annual change</i>	1.658 9.8%	1.779 9.6%	2.413 11.9%	1.137 5.0%	0.716 3.0%
Adjustments:					
Net impact of places in other LAs / NMSS	-1.158	-0.894	-0.894	-0.894	-0.894
BF academy places deduction	-0.072	-0.256	-0.348	-0.348	-0.348
Net retained funding	17.319	19.178	21.499	22.636	23.352
<i>Annual change</i>	1.781 11.5%	1.859 10.7%	2.321 12.1%	1.137 5.3%	0.716 3.2%
Forecast spend - no interventions:					
Actual spend	22.143				
Forecast spend / rolling commitments		26.893	26.816	28.907	29.700
New pressure - additional placements			1.288	1.015	0.688
New pressure - specific items			0.123	0.100	0.100
New pressure - inflation			1.195	1.012	0.594
<i>Annual change</i>		4.750 21.5%	2.529 9.4%	1.611 5.6%	0.048 0.2%
Planned interventions:					
Increased use of SRPs			-0.124	-0.400	-0.658
Increased placements at KLS			0.000	-0.063	-0.105
Inclusion at mainstream schools			-0.391	-0.871	-0.827
Satellite special school with outreach			0.000	0.000	0.000
SEMH Hub			0.000	0.000	0.000
Forecast impact of interventions			-0.515	-1.334	-1.590
Cumulative savings			-0.515	-1.849	-3.439
Net spend after planned interventions		26.893	28.907	29.700	29.492
Start-up / diseconomy costs at new SRPs		0.177	0.210	0.072	0.000
Draw down from SRP reserve		-0.177	-0.210	-0.072	0.000
Anticipated funding gap after interventions:					
HNB under (-) / over (+) spend for the year	4.824	7.715	7.408	7.064	6.140
HNB surplus (-) / deficit (+) opening balance	3.220	8.044	15.759	23.167	30.231
HNB surplus (-) / deficit (+) closing balance	8.044	15.759	23.167	30.231	36.371
Deficit as a % of gross annual income		78%	102%	127%	148%
Memo item: DSG balance (Schools Budget)					
DSG Adjustment account balance	2.626	10.373	18.241	25.627	31.767
Less Earmarked Reserves	-1.878	-1.701	-1.241	-0.919	-0.919
DSG Deficit - Unallocated	4.504	12.074	19.482	26.546	32.686

Responsibilities of the Schools Forum

- 6.18 The Forum is requested to agree that the Executive Member sets the 2022-23 budget on these proposals, as summarised in Table 1. Whilst the duty to set the HNB budget rests with LAs, the views of the Forum are an important part of the process and have always been considered by the Executive Member.
- 6.19 There are 2 specific areas on HNB budgets where the Forum has a statutory role to play in setting the HNB, and this involves “giving a view” on:
- arrangements for pupils with special educational needs, in particular the places to be commissioned by the local authority and schools and the arrangements for paying top-up funding
 - arrangements for use of pupil referral units and the education of children otherwise than at school, in particular the places to be commissioned by the local authority and schools and the arrangements for paying top-up funding

Views from the Forum are sought on these matters.

Next Steps

- 6.20 The views of the Schools Forum regarding these 2022-23 budget proposals from the council will be considered by the Executive Member on 30 March, when a final decision will be made on HNB budgets. With the expectation that the budgets for updated on-going services in paragraph 6.12 points 1 – 6 will be agreed, provisional HNB funding allocations to schools will be provided in accordance with the current plan of work commencing 21 March.
- 6.21 Considerable further work is required to eliminate the circa £6m - £7m underlying annual budget gap, with a detailed update to be provided to the Forum in autumn term 2022.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 The relevant legal provisions are addressed within the main body of the report.

Director of Finance

- 7.2 The financial implications anticipated at this stage confirm the expected significant financial difficulties that will arise on HNB budgets. A number of developments are planned that are expected to contribute over the medium-term to widening choice and cost reduction. However, a significant funding gap remains, and further work is required to move to a sustainable budget position.

Equalities Impact Assessment

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

Strategic Risk Management Issues

- 7.4 There are strategic risks around ensuring all schools remain financially stable as well as ensuring pupils with SEND receive timely and appropriate support for their education. A

failure to develop a plan for a sustainable HNB budget will create a risk of needing to make more drastic changes at a later date.

8 CONSULTATION

Principal Groups Consulted

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

Method of Consultation

- 8.2 Meetings and written reports.

Representations Received

- 8.3 Incorporated into this report.

Background Papers

None.

Contact for further information

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TO: SCHOOLS FORUM
DATE: 10 MARCH 2022

2022-23 PROPOSALS FOR THE HIGH NEEDS BLOCK BUDGET
Executive Director of People

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek comments on the detailed budget proposals for the High Needs Block (HNB) element of the Schools Budget that are being presented now by the Council. In line with the statutory funding framework, there are also a small number of decisions for the Forum to take.
- 1.2 Comments are being sought so that they can be considered before the Executive Member makes the formal decision on relevant matters.

2. EXECUTIVE SUMMARY

- 2.1 The HNB funds support for children and young people with the most challenging educational requirements. It is the most complex part of school funding framework, with budgets needing to be set before a number of funding allocations are confirmed by the Department for Education (DfE).
- 2.2 Whilst the total cash provided by the DfE for the Bracknell Forest (BF) HNB will increase by 12% in 2022-23 to £21.499m, as in previous years, this is insufficient to meet the demands forecast.
- 2.3 Taking account of the update on progress against the actions contained within the SEND Commissioning Plan, the revised medium-term financial forecast to 31 March 2025 indicates a cumulative deficit at 31 March 2025 of £36.371m which is 148% of annual income. Annual deficits forecast in the period range from between £7.408m and £6.140m.
- 2.4 In respect of DfE liability to underwrite accumulated debt on HN budgets, recent communications have suggested that this is for a 3-year time limited period to enable councils to move towards a position of containing annual expenditure within annual income. Councils are also advised to be planning to manage any accumulated debt at April 2023 from their own resources. With a forecast cumulative deficit of £36.371m, this is clearly not an affordable position for a small unitary authority like Bracknell Forest and it is essential that emerging plans to address the deficit are agreed and enacted by the Council and schools.
- 2.5 The financial challenges being experienced are not unique to BF with many LAs having to set deficit budgets. This is further illustrated from the publication of a recent national survey by LAs where over 90% of respondents indicated their HNB budget was in deficit.
- 2.6 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 underlying funding gap and tackle the accumulated deficit. The 2022-23 budget forecasts a £7.408m over spending and includes anticipated savings of £0.515m which are forecast to rise to £3.439m in 2024-25. Further savings will be made in future years

as a number of the actions are invest to save schemes that take time to achieve fully the financial benefits. This is a significant challenge to what are sensitive budgets.

3 RECOMMENDATIONS

That the Forum AGREES:

3.1 That the Executive Member:

- 6. sets the total HNB budget at £28.907m,**
- 7. releases £0.210m of funds from the SEND Units Reserve to finance ongoing diseconomy costs at the new Special Resource Provisions**
- 8. confirms the changes set out in the supporting information (Table 1 and Annex 2) and relevant budgets are therefore updated to those summarised in Annex 3.**

3.2 That there are appropriate arrangements in place for:

- 4. The education of pupils with SEN (paragraph 6.23), and**
- 5. The use of pupil referral units and the education of children otherwise than at school (paragraph 6.23).**

That the FORUM notes:

3.3 The updated forecast financial position of the HNB Budget at Table 1, which shows a forecast £7.408m over spending in 2022-23 and a £36.371m cumulative deficit as at the end of March 2025.

4 REASONS FOR RECOMMENDATIONS

- 4.1 To ensure that the HNB Budget is set in accordance with the funding framework, the expected needs of pupils and that the views of the Schools Forum are considered.

5 ALTERNATIVE OPTIONS CONSIDERED

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

6 SUPPORTING INFORMATION

Funding Framework

- 6.1 The HNB element of the Dedicated Schools Grant¹ (DSG) is allocated to Local Authorities (LAs) by the DfE through a national funding formula (NFF) to support pupils with Special Educational Needs and Disability (SEND) and is intended to fund a continuum of provision for relevant pupils and students from 0-24. It is a ring-fenced grant that defines the areas of permitted spend against which LAs in general commission services from providers. In-house arrangements are made for a relatively small number of provisions.

¹ DSG is the ringfenced grant used by the DfE to fund LAs for prescribed education related services.

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

Financial context - national

- 6.2 As previously reported, in response to the continuing growth in deficits on HNB budgets, in January 2020, the DfE updated the status of the DSG ring-fence to make clear that any deficit must be carried forward to the Schools Budget in the next financial year or future financial years. This is intended to confirm that no liability for a deficit will fall onto an LAs General Fund to fund from general income. In addition, LAs were no longer permitted to use their General Fund income to finance the Schools Budget without express permission of the Secretary of State.
- 6.3 Whilst the legal framework requires accumulated DSG deficits to remain within the Schools Budget and outside the funding responsibility of LAs, day to day operational decisions continue to rest with LAs and as with all decisions around spending of public money, these are taken in accordance with the normal rules and professional financial management standards required by the Council in the Financial Regulations and other Financial Procedure documents.
- 6.4 Recent communications have suggested that DfE liability to underwrite accumulated debt on HN budgets will be limited to a 3-year time period to enable councils to move towards a position of containing annual expenditure within annual income. Councils are also advised to be planning to manage any accumulated debt at April 2023 from their own resources, although DfE have been providing financial assistance to some LAs. With a forecast cumulative deficit at 31 March 2025 of £36.371m, this is clearly not an affordable position for a small unitary authority like Bracknell Forest and it is essential that emerging plans to address the deficit are agreed and enacted by the Council and schools.
- 6.5 To add some current context to national HNB budget information, 77 LAs (52% response rate), including BFC, completed a financial survey in autumn 2020 to provide key statistics around their SEND budgets to illustrate how well councils were managing their funding in 2020-21. This showed that 69 expected SEND budgets to be in deficit for 2020-21, with only eight expecting to have a balance or to finish even, and three expect their cumulative deficits to be more than their annual income.
- 6.6 The Forum is aware that the government are undertaking a significant review of SEND. The SEND Review is considering improvements to make sure that the SEND system is consistent, high quality, and integrated across education, health and care, and to make it financially sustainable for the future. DfE has yet to confirm an expected publication date, but this could ultimately result in significant changes.

Financial context - local

- 6.7 The BF HNB budget first moved into an overspend in 2019-20 at £3.220m, rising to £4.824m in 2020-21 with the current forecast for 2021-22 (reporting cycle to 31 December 2021) at £7.715m. This compares to the £5.699m over spending anticipated when the 2021-22 budget was set. The cumulative deficit on the HNB budget at 31 March 2022 is therefore forecast to be £15.759m, equivalent to 78% of the DSG income received in 2021-22.

6.8 As previously reported, the key factors affecting the financial pressure are:

- Significant cost pressures are being experienced, which is a national issue, and not just limited to BF, with the number of pupils with a statement or Education Health and Care Plan (EHCP)² having increased in the 3 years between January 2018 and January 2021 by 35% from 319,819 to 430,697³. The change in BF shows a 49% increase from 692 to 1,031. It should be noted that from 1 April 2018, local authorities must have transferred all children and young people with Statements of SEN, who meet the criteria for EHCP, or have made a decision that it was not necessary to issue an EHCP.
- The increasing reliance on external placements, with the cost of private, voluntary, and independent (PVI) sector providers over the same period increasing by 65%.
- During the period 2017-18 to 2020-21, retained grant income from the DfE has increased by 18%.

6.9 It has been previously agreed that the Forum's HNB Sub Group would work with the council on a plan to reduce costs and be in a position in the medium-term to balance annual expenditure to annual income. The SEND Commissioning Plan details the current approach and actions.

6.10 The High Needs Sub Group meet monthly and have further developed the work around SLA's for the SRP's, changes to the current Banding Matrix and progressing to consider Transition between phases, which are key points when provision is reviewed and new provision commissioned. The SEND Improvement Partnership Board has developed five Working Groups, each with a focus on a priority contained in the SEND Action Plan. These groups will focus on progressing each priority and will report back to the strengthened Board, which is now chaired by the Executive Corporate Director.

Current progress

6.11 In terms of recent progress, the November 2021 Forum meeting received a detailed update on progress. The key points presented were:

There are six project workstreams: governance framework and processes, building relationships, service and process review, data, developing the market for SEND / AP and support, and commissioning.

1. Governance framework and processes: Historically, the SEN team had just worked with spreadsheets, with EHCP processes focused on a paper-based system. Capita ONE SEND module has the capability to host and allow completion of EHCP documents online. This will allow not only a centralised system, which can be accessed by the LA, professionals, schools and parents but it can also be linked to financial systems. Uploading all documents and files onto Capita ONE is scheduled to be completed by April 2022. Further work will be required to link the system to the financial systems after April

² An EHCP is a legal document that describes a child or young person's special educational, health and social care needs. It explains the extra help that will be given to meet those needs and how that help will support the child or young person.

³ DfE SEN statistic at relevant January from: [Create your own tables, Table Tool – Explore education statistics – GOV.UK \(explore-education-statistics.service.gov.uk\)](https://www.gov.uk/explore-education-statistics)

2022. The SEND Action Plan priority one is based on this project and will be developed further by a SEND Working Group.

2. Building relationships: There was an ongoing need for work to be done around relationships as there have been issues of non-communication from the SEND team to stakeholders. Regular SEND meetings with Headteachers, SENCOs and the Parent / Carer Forum have been scheduled, protocols are in place to respond to parents enquiries, which are logged online. Communication is also a key area of development captured in the SEND Action Plan for further development 2022-2025.
3. Service and process reviews: the SEN team restructure consultation started at the end of January 2022 and completed on Monday 28 February 2022. It is envisaged that recruitment, which will entail slotting into roles for substantive staff and external recruitment will commence and the full recruitment process completed by 31 May 2022, as per HR processes. This project also is included in the Priority One of the SEND Action Plan.
4. Data. There has been significant work with Finance and the SEND Team to develop projection data for trends with the most recent 5 years now available. It is envisaged that this will enable the team to start modelling demand projections moving forward and plan provision and transition arrangements for CYP between phases more effectively.
5. Developing the market for SEND provision and AP support. Four new Specially Resourced Provisions (SRPs) and one Unit opened in primary schools in September 2021. Meetings between secondary Headteachers are currently taking place to identify where secondary phase SRP / Units could be developed to ensure continuity for CYP transitioning into the secondary phase. Consultation with Post 16 providers is also taking place to identify the post 16 pathways / courses that are available and courses that may need to be developed or commissioned to meet the needs of SEND CYP. Further discussions are taking place with Kennel Lane School and College Hall to identify potential for expansion of services to meet the needs of the more complex CYP with SEND. This work is also captured in the developing Capital Strategy / SEND sufficiency workstream.
6. Commissioning: Commissioning had a limited role in SEND until 2020 and previously the SEN team were generally spot purchasing places. This meant that schools were sometimes charging different amounts for identical provisions. Commissioning has worked on value for money placements, due diligence, and monitoring outcomes. Commissioning are also supporting the SRP placements and SLA's in this area, to ensure rigour in process and compliance.

In addition, work is also progressing on the Banding Matrix for top up funding. The HNB sub group and SEND officers have further developed the descriptors in the Banding Matrix; currently the project is working towards allocating funding streams to each descriptor, assessing the likely financial impact and then undertaking consultation prior to any implementation.

2022-23 Estimated HNB DSG income

- 6.12 To assist LAs with their budget planning, the DfE publishes provisional HNB DSG allocations each July in advance of the relevant financial year. Further updates are provided in December but remain provisional as final funding allocations for the basic element factor relating to number of students in special schools and the import / export adjustment to compensate LAs educating pupils from other areas will be based

on January 2022 data which is not confirmed until after the commencement of the financial year.

- 6.13 Initial information from the DfE indicated a gross HNG DSG allocation of £21.888m which reduced to £20.916m after adjusting for the provisional impact of the import / export adjustment that compensates LAs that educate pupils from other areas.

Annex 1 provides more information on the national HNB funding framework and a breakdown of the component parts of the initial July 2021 BF notification.

- 6.14 Subsequent to the initial funding notification, the DfE has provided a number of updates to funding allocations which includes the £0.346m estimated deduction to directly fund commissioned places at academies and other relevant providers and other minor adjustments totalling to a £0.083m addition. Furthermore, an additional £0.846m has been received that reflects “the additional high needs funding being allocated following the 2021 spending review, amounting to £325 million nationally, includes funding in respect of the Health and Social Care Levy, but the cost of that for high needs should be less than a 1% pressure on authorities’ high needs budgets. The additional funding also takes into account that colleges and other post-school providers offering extra hours of study to 16 to 19 year old students, may require extra high needs top-up funding to support such students with high needs.”
- 6.15 The latest information from the DfE therefore indicates a net retained DSG allocation for 2022-23 of £21.499m, an increase of £2.321m (+12.1%).

Budget Proposals

- 6.16 Financial forecasts for the HNB Budget have previously been completed to the end of the 2019 Spending Review (SR) proposals which ran to March 2023. With the SR21 having now been published, and a new medium term plan required, revised forecasts have been produced for 2022-23 and new ones included through to 2024-25. As well as reflecting the latest government spending announcements, they also incorporate current on-going commitments, key assumptions relating to new requirements and the revised expectations relating to the delivery of the savings included in the SEND Commissioning Plan. These are summarised in Table 1, with more commentary below, split between 2022-23 impact and future years:

1. As set out above, there is expected to be a £2.321m (+12.1%) cash increase in DSG income from the DfE for 2022-23. This is a provisional increase and is expected to change when final census data for SEND placements are confirmed in June, including the updated import / export adjustment between LAs for out of borough placements.
2. Whilst detailed government spending plans for the period 2023-25 are not known, the DfE are advising LAs to “use an assumption of a 5% year-on-year increase in 2023 to 2024, and 3% beyond that”. This suggests increases of around £1.137m in 2023-24 and £0.716m in 2024-25.
3. £7.638m additional spend to bring the 2021-22 forecast overspend compared to the £19.178m DSG income into the on-going base budget calculation and therefore reflect the medium-term nature that most of the newly made commitments represent on budgets. Rolling commitments therefore amount to £26.816m. The aggregation of columns C and E of Annex 1 set out the 2021-22 on-going spend requirement in 2022-23.

4. £1.288m for annual increases in the number of EHCP pupils which are forecast to increase by 7% (79 extra EHCPs), compared to 10% between January 2021 and 2022 and 16% between January 2020 and 2021.

To reflect the graduated approach to learning, there is an expectation that a high proportion of pupils will remain in mainstream settings and therefore 75% of new places are assumed to be placed in mainstream settings, 5% in SRPs, 10% in special schools and 10% in PVI special schools.

The rate of increase in EHCP pupils is forecast to continue to rise in future years but reducing to 5% (60) in 2023-24 and 3% in 2024-25 (38). This equates to further pressures of circa £1.015m and £0.688m.

5. £0.123m for the following specific new 2022-23 budget pressures:
 - a. A re-banding of a number of students at Kennel Lane Special (KLS) School will result in net additional funding of £0.085m.
 - b. With the Rise ASD Resource Provision now open to all year groups and close to full capacity, charges to other LAs for out of borough placements will no longer include an addition to contribute to start-up and diseconomy costs. Current budgeted income will not therefore be achieved and has therefore been removed (£0.038m).

Whilst no specific items have been identified as arising in future years, for budget planning purposes, the assumption is that a similar amount of pressure will emerge each year and is therefore included in the medium-term financial plan.

6. £1.195m for annual inflationary increases (average 4.4%) from:
 - a. 3.9% for provisions in LA schools and services centrally managed by the council. This is the mid-point estimate of expected cost increases in mainstream schools, as reported to the Forum in January. It takes account of anticipated pay awards, increases in LG pension costs, general price inflation and the 1.25% increase in employer NI contributions through the Health and Social Care Levy.

This means top up funding (Element 3) for mainstream schools will increase by 3.9%.

For the specialist SEND providers – Kennel Lane Special School, College Hall Pupil Referral Unit and the SRPs – where funding follows the DfE “place-plus” approach, as the funding threshold set by the DfE remains unchanged for commissioned places at £10,000, additional funding for inflation can only be paid to schools through adjusting top up funding (Element 3). To ensure these providers are adequately funded to an overall inflation uplift of 3.9%, the top up rates will therefore need to increase by a higher rate than 3.9%.

The precise rate of increase will vary by provider and will depend on the different proportions of place to top up funding each school’s budget comprises and will typically amount to around 6%. A similar rate of increase is assumed to be applied for BF placements in other LA schools.
 - b. 5.0% for provisions in PVI and other external settings, reflecting the agreed increases to the National Living Wage and National Minimum Wage rates (most common rates increasing between 4.1% and 9.8%), Health and Social Care Levy and other pressures

Inflation is expected to be at a lower rate of increase in future years, with 3.5% assumed for 2023-24 and 2.0% for 2024-25. These assumptions indicate cost increases of £1.010m and £0.594m respectively.

7. -£0.515m aggregate cost reductions from the updated savings plan from:

- a. Increased use of SRPs: The primary phase SRPs that opened in September 2021 now have 32 BF resident pupils on roll, with a notional capacity of around 70. A further 15 placements to 47 are expected from September 2022. The projected impact of this additional in-borough capacity is to have prevented 12 higher cost placements, with 3 pupils likely to have remained in mainstream settings with similar levels of additional support.

To help manage the start-up and diseconomy costs anticipated for the first 2 years in the new SRPs as pupil numbers build up to a financially viable level, the Forum has previously agreed to the creation of an SRP Development Reserve which at the start of the financial year held £0.459m. Funding of £0.177m is expected to be required in 2021-22 compared to the £0.143m estimated when the budget was set, and a further estimated £0.210m in 2022-23. The remaining £0.072m balance is expected to be utilised in 2023-24.

The budget proposals for SRPs therefore include using all of this Reserve funding for start-up and diseconomy costs. The amounts quoted below are therefore the amounts funded by the DSG.

This initiative is not expected to impact on the overall number of EHCPs but rather to use a lower cost provision. Savings increase as more pupils are admitted to SRPs with a net saving of £0.124m forecast for 2022-23, primarily through fewer placements in special schools, both maintained and private, voluntary and independent (PVI) sector.

The impacts in 2023-24 are forecast to involve a further 19 placements in SRPs (10 primary, 9 secondary) with net additional savings of £0.400m, and for 2024-25 a further 14 placements in SRPs (5 primary, 9 secondary) and additional net savings of £0.658m. As the SEN Development Reserve is expected to be fully utilised in 2023-24, diseconomy costs arising at the planned Secondary SRPs will need to be funded from within the overall DSG income.

- b. Increase placements at KLS School
Planning conditions limit the capacity at KLS to 198 students and BF commissions all these places. Current admissions information indicates there are 197.5 students on roll, split 160.5 BF resident and 37 other LAs.

Whilst it is recognised that there will always be cross border movement of students between special schools and SRPs, placing a higher number of BF resident students in KLS remains an objective to support more students in their home community as well as reducing travelling time, carbon emissions and costs. The council is working to increase local student placements with the aim of increased BF admissions and no other LA admissions into EYFS from September 2023.

If successful, this is expected to result in savings to the HNB of £0.063m in 2023-24 and a further £0.105m in 2024-25.

- c. Deliver training and support on inclusion to mainstream schools: Improving training and support to schools, including governors, to increase ability to meet the need of pupils for retention in mainstream schools, thereby reducing the number of requests for high cost, external placements and overall numbers of EHCPs. This will require investment in 3.0 FTE specialist support staff, one for each locality area, for a time limited period to 31 August 2024 as well as on-going additional top up funding for other funding for mainstream schools to reflect the higher support needs being managed.

This initiative is expected to reduce the number of EHCPs by 23 by the end of 2022, primarily with less PVI and alternative provision (AP) placements, with a part year effect saving of £0.695m, reducing to £0.391m once the additional for mainstream schools is taken into account.

The impacts in 2023-24 are forecast at a further reduction of 18 EHCPs by year end and further net saving of £0.871m, and for 2024-25 at a further reduction of 14 EHCPs and a net saving of £0.827m.

- d. KLS outreach and increased capacity. With demand for local special school places exceeding the available capacity at KLS, discussions are underway to explore the feasibility of two solutions.

Firstly, an outreach service to support children and young people stay within their mainstream settings. The outreach offer is expected to involve a small number of staff supporting schools with the most challenging pupils and is expected to be cost neutral to operate.

Secondly, an initial discussion has taken place about KLS operating a satellite site at another location. At this stage, the capacity for the satellite site is expected to be for approximately 40 children. This would then increase capacity at the main KLS site as some learners currently based there would transition to the new satellite. For planning purposes, opening a satellite site is expected to be from September 2023. In addition, the current KLS site will need refurbishing / repurposing. This work can take place prior to September 2023.

Whilst savings from reduced numbers of out of borough placements are expected at around £0.020m per pupil, due to the likelihood of needing to incur start-up and diseconomy costs, there is not expected to be any significant financial impact from this initiative over the current medium-term period to the end of 2024-25. At full capacity, annual savings of between £0.500m and £0.750m are forecast.

- e. Social, Emotional and Mental Health (SEMH) Hub. As well as seeking to increase the number of special school places at KLS, there is also an ambition to provide more local support to pupils with SEMH needs.

Early planning is underway for an SEMH Hub, with the potential to offer an assessment service as well as placements. At this stage, the intention is to provide around 30 places with capacity to undertake 10 assessments a term, with each assessment lasting 2 terms. For planning purposes, opening is expected to be from September 2023.

As with the proposal to increase capacity at KLS, this initiative would generate savings from reduced numbers of out of borough placements. However, due to the likelihood of needing to incur start-up and diseconomy costs, there is not expected to be any significant financial impact from this initiative over the current medium-term period to the end of 2024-25. At full capacity, annual savings of between £0.500m and £0.750m are forecast.

- 6.17 To reflect the long-term nature of implementation of these initiatives as well as risks around the assumptions made on volatile, high-cost budgets, it is important to remember that the medium-term financial plan will be updated on a regular basis with the expectation that the anticipated financial implications will also be subject to change.
- 6.18 Furthermore, a number of the savings plan items set out above will also require a detailed business case to verify current forecast outcomes. Some will also require capital funding for which costs have yet to be quantified or funding sources identified.

Updated HNB Budget Medium term financial forecast

- 6.19 Table 1 below sets out a summary of the revised medium-term budget plan, reflecting the changes set out above. The forecast deficit at 31 March 2025 is £36.371m and includes savings in 2024-25 of £3.439m.
- 6.20 There is a forecast over spending in 2022-23 of £7.408m which reduces to £6.140m in 2024-25 and reflects the longer-term nature to implement the largest aspects of the plan, with a number being invest to save projects requiring additional spending in the shorter term.
- 6.21 Due to the volatile and unpredictable nature of pupil needs it is not always certain where the most suitable support arrangements are and where the education support will ultimately be delivered. The detailed budget changes anticipated at service level are set out in Annex 2 with Annex 3 showing the resultant summarised budget lines.

Table 1: HNB Budget: Medium term financial forecast

Item	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Forecast income:					
HNB DSG income - gross	18.549	20.328	22.741	23.878	24.594
<i>Annual change</i>	1.658 9.8%	1.779 9.6%	2.413 11.9%	1.137 5.0%	0.716 3.0%
Adjustments:					
Net impact of places in other LAs / NMSS	-1.158	-0.894	-0.894	-0.894	-0.894
BF academy places deduction	-0.072	-0.256	-0.348	-0.348	-0.348
Net retained funding	17.319	19.178	21.499	22.636	23.352
<i>Annual change</i>	1.781 11.5%	1.859 10.7%	2.321 12.1%	1.137 5.3%	0.716 3.2%
Forecast spend - no interventions:					
Actual spend	22.143				
Forecast spend / rolling commitments		26.893	26.816	28.907	29.700
New pressure - additional placements			1.288	1.015	0.688
New pressure - specific items			0.123	0.100	0.100
New pressure - inflation			1.195	1.012	0.594
<i>Annual change</i>		4.750 21.5%	2.529 9.4%	1.611 5.6%	0.048 0.2%
Planned interventions:					
Increased use of SRPs			-0.124	-0.400	-0.658
Increased placements at KLS			0.000	-0.063	-0.105
Inclusion at mainstream schools			-0.391	-0.871	-0.827
Satellite special school with outreach			0.000	0.000	0.000
SEMH Hub			0.000	0.000	0.000
Forecast impact of interventions			-0.515	-1.334	-1.590
Cumulative savings			-0.515	-1.849	-3.439
Net spend after planned interventions		26.893	28.907	29.700	29.492
Start-up / diseconomy costs at new SRPs		0.177	0.210	0.072	0.000
Draw down from SRP reserve		-0.177	-0.210	-0.072	0.000
Anticipated funding gap after interventions:					
HNB under (-) / over (+) spend for the year	4.824	7.715	7.408	7.064	6.140
HNB surplus (-) / deficit (+) opening balance	3.220	8.044	15.759	23.167	30.231
HNB surplus (-) / deficit (+) closing balance	8.044	15.759	23.167	30.231	36.371
Deficit as a % of gross annual income		78%	102%	127%	148%
Memo item: DSG balance (Schools Budget)					
DSG Adjustment account balance	2.626	10.373	18.241	25.627	31.767
Less Earmarked Reserves	-1.878	-1.701	-1.241	-0.919	-0.919
DSG Deficit - Unallocated	4.504	12.074	19.482	26.546	32.686

Responsibilities of the Schools Forum

- 6.22 The Forum is requested to agree that the Executive Member sets the 2022-23 budget on these proposals, as summarised in Table 1. Whilst the duty to set the HNB budget rests with LAs, the views of the Forum are an important part of the process and have always been considered by the Executive Member.
- 6.23 There are 2 specific areas on HNB budgets where the Forum has a statutory role to play in setting the HNB, and this involves “giving a view” on:
- arrangements for pupils with special educational needs, in particular the places to be commissioned by the local authority and schools and the arrangements for paying top-up funding
 - arrangements for use of pupil referral units and the education of children otherwise than at school, in particular the places to be commissioned by the local authority and schools and the arrangements for paying top-up funding

Next Steps

- 6.24 The views of the Schools Forum regarding the final 2022-23 budget proposals from the council will be considered, and where agreed, included in the final budget proposals that will be presented for approval by the Executive Member on 22 March. Based on the expectation that further changes will be made to service provisions during the year through the partnership work with schools and other providers, the Forum is recommended to agree that appropriate arrangements are in place for the education of pupils with SEN and use of pupil referral units and the education of children otherwise than at school.
- 6.25 Considerable further work is required to eliminate the circa £6m - £7m underlying annual budget gap, which in the first instance will be progressed through the HNB sub-group.

7 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

- 7.1 The relevant legal provisions are addressed within the main body of the report.

Director of Finance

- 7.2 The financial implications anticipated at this stage confirm the expected significant financial difficulties that will arise on HNB budgets. A number of developments are planned that are expected to contribute over the medium-term to widening choice and cost reduction. However, a significant funding gap remains, and further work is required to move to a sustainable budget position.

Equalities Impact Assessment

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

Strategic Risk Management Issues

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

8 CONSULTATION

Principal Groups Consulted

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

Method of Consultation

- 8.2 Written reports.

Representations Received

- 8.3 Incorporated into this report.

Background Papers

None.

Contact for further information

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Doc. Ref

[https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools Forum/\(109\) 100322/2022-23 HNB Budget Preparations - March 2022 v4 - Final.docx](https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools_Forum/(109)_100322/2022-23_HNB_Budget_Preparations_-_March_2022_v4_-_Final.docx)

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**: £4,660 (2022-23 amount) for each pupil / student that the LA is responsible for educating that is attending a special school
 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 and historic pay, pensions and supplementary grant funding:** Hospital education is based on historic spend with the other allocations based on DfE national formulae.
11. **Import / export adjustment:** 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
12. **Area cost adjustment:** reflects variations in labour market costs across the country by taking into account the general labour market trends and the particular salary variations in the teaching work

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.

7. Therefore, the formula applies the protection of a funding floor to all the proxy factors. This ensures that, on a per head of population basis, these elements of the formula will increase by at least 8% in 2022-23 over 2021-22 funding baseline levels⁴. A further layer of protection for local authorities with falling population numbers ensures that no local authority receives less funding than the equivalent figure from the baseline year of 2021-22. For 2022-23, however, this further protection does not apply in any authority. There is then a limit of 11% on the gains for those local authorities gaining the most through the formula. In addition to the core factors set out above, there will be further adjustments to each LAs HNB funding as follows:

The allocations through the HNB NFF are illustrated in Figure 1 below with the impact in BF shown in Figure 2.

Figure 1: Basic building blocks of the formula

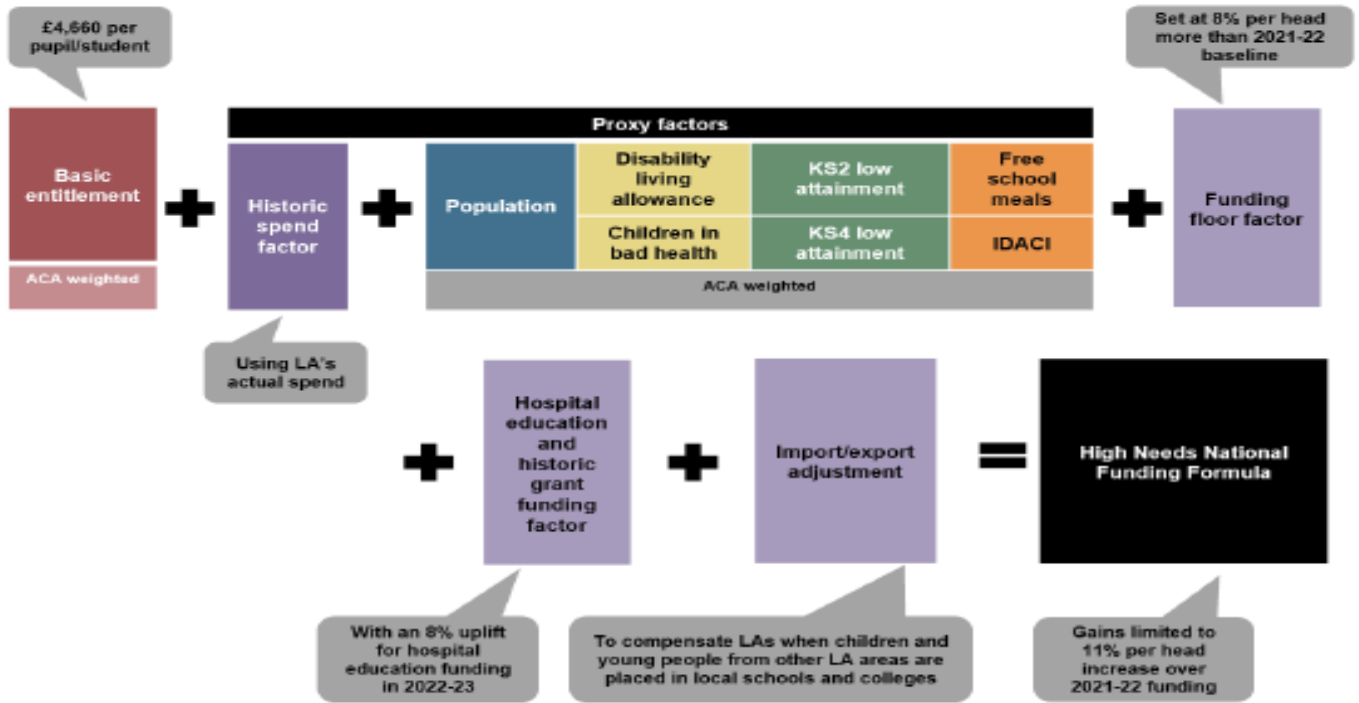
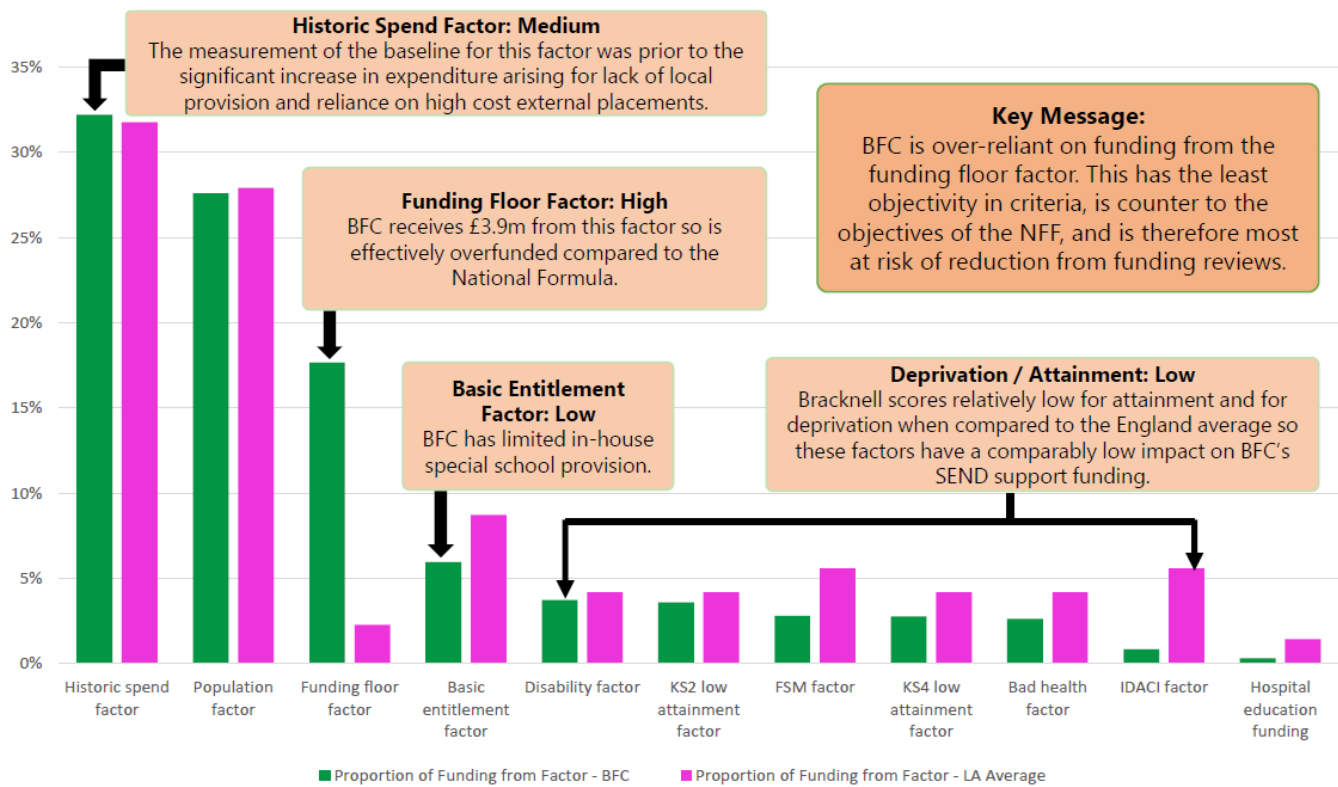


Figure 1: This diagram shows that the factors will be added together to give the formula allocation, with an area cost adjustment applied to the proxy factors and basic entitlement.

Figure 2:

High Needs Block Funding Allocation to BFC vs. Other LAs

Proportion of Bracknell Forest High Needs Block Funding Received from Funding Formula Factors Compared to the Average Local Authority



2022-23 Proposed HNB Budget detailed changes

Line Ref	Description	2021-22 Current Budget	2021-22 Forecast Variance (December)	Proposed Budget Change					Proposed 2022-23 Budget	Summary Comment on significant "Proposed Budget change"
				Reset to 2022-23 full year	Demographic growth	Other Growth	Savings Plan items	Inflation		
A	B	C	D	E	F	G	H	I	J	K
		£	£	£	£	£	£	£	£	

Funds Delegated to Special School

1	Kennel Lane Special School - original budget (BFC responsibility only)	4,823,980	0	0	0	84,560	0	164,870	5,073,410	Current estimate is for initial budget requirement of 198 purchased places and 160.5 FTE BFC resident Element 3 top-up payments (-1.5 FTE). The provisional spring term 2022 total (including other LA students) is 197.5 FTE (+3.0 FTE). Other growth pressure reflects re-banding of a number of pupils to ensure the "top up" funding is appropriate to changing pupil needs.
2	Kennel Lane Special School - in-year budget changes (BFC responsibility only)	74,930	127,000	0	0	0	0	2,640	77,570	

4,898,910	127,000	0	0	84,560	0	167,510	5,150,980
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Line Ref	Description	2021-22 Current Budget	2021-22 Forecast Variance (December)	Proposed Budget Change					Proposed 2022-23 Budget	Summary Comment on significant "Proposed Budget change"
				Reset to 2022-23 full year	Demographic growth	Other Growth	Savings Plan items	Inflation		
A	B	C	D	E	F	G	H	I	J	K
		£	£	£	£	£	£	£	£	

Maintained Schools & Academies

3	BF Secondary School SEN Resource Units	834,490	40,000	0	46,160	38,500	0	42,280	961,430	Reflects both increases from BF pupils on roll and reduced income from RISE ASD Resource from other LA pupils now the Resource is fully open and start-up costs no longer being charged to other LAs removing current income.
4	BF Primary School SEN Resource Units	164,770	0	0	15,960	0	0	6,510	187,240	
5	New SRP - Primary	0	0	172,000	0	0	176,000	0	348,000	Financial impact expected from year 2 expansion of the new SRPs. 47 places expected to be filled September 2022 compared to 32 at September 2021. Savings Plan extra spend offset by larger savings recorded against external placements budgets.
6	BF mainstream schools - Element 3 top up payments	2,159,200	450,000	450,000	387,320	0	134,000	101,760	3,232,280	Growth pressure reflects the expected impact from increased EHCPs. Savings Plan item reflects additional top up payments to mainstream schools managing pupils with higher support needs.
7	BF resident students attending other LA schools	2,774,690	66,000	66,000	293,670	0	-96,000	169,530	3,207,890	Growth pressure reflects the expected impact from increased EHCPs. Savings Plan item reflects reduced placements as more BF placements at new SRPs.
8	BF mainstream schools - Element 3 short term interventions	10,100	47,000	0	0	0	0	2,230	12,330	
9	BF mainstream schools – top up to schools with disproportionate number of HN pupils	41,260	-10,000	-5,000	0	0	0	1,220	37,480	
10	Element 3 Early Years	47,340	-25,000	-25,000	0	0	0	870	23,210	
11	Post-16 SEND pupils in maintained school sixth forms	28,000	14,000	14,000	0	0	0	0	42,000	

6,059,850	582,000	672,000	743,110	38,500	214,000	324,400	8,051,860
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Line Ref	Description	2021-22 Current Budget	2021-22 Forecast Variance (December)	Proposed Budget Change					Proposed 2022-23 Budget	Summary Comment on significant "Proposed Budget change"
				Reset to 2022-23 full year	Demographic growth	Other Growth	Savings Plan items	Inflation		
A	B	C	D	E	F	G	H	I	J	K
		£	£	£	£	£	£	£	£	

NMSS & Colleges

12	Pre-16 provisions	7,549,660	1,409,000	1,409,000	463,010	0	-812,000	447,940	9,057,610	Growth pressure reflects the expected impact from increased EHCPs. Savings plan items are impact from additional placements in new SRPs and greater inclusion in mainstream schools
13	Post-16 provisions	1,772,900	239,000	239,000	81,710	0	0	100,600	2,194,210	Growth pressure reflects the expected impact from increased EHCPs.

9,322,560	1,648,000	1,648,000	544,720	0	-812,000	548,540	11,251,820
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Education out of School

14	College Hall PRU	1,101,150	78,000	50,000	0	0	0	46,550	1,197,700	
15	Home Tuition	606,880	77,000	42,000	0	0	-88,000	26,670	587,550	Savings plan item is impact from greater inclusion in mainstream schools
16	Outreach	109,600	-21,000	0	0	0	0	3,460	113,060	
17	Alternative Provision for Primary Aged pupils without a statement	204,630	-102,000	-102,000	0	0	0	4,000	106,630	
18	Alternative Provision for Secondary Aged pupils without a statement	174,540	-87,000	-87,000	0	0	0	3,410	90,950	
19	Other externally purchased Alternative Provision	157,900	-118,000	-118,000	0	0	0	1,560	41,460	
20	Excluded pupil provision	20,370	-5,000	0	0	0	0	660	21,030	
21	Share of Head of Service	23,930	-1,000	0	0	0	0	890	24,820	

2,399,000	-179,000	-215,000	0	0	-88,000	87,200	2,183,200
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Line Ref	Description	2021-22 Current Budget	2021-22 Forecast Variance (December)	Proposed Budget Change					Proposed 2022-23 Budget	Summary Comment on significant "Proposed Budget change"
				Reset to 2022-23 full year	Demographic growth	Other Growth	Savings Plan items	Inflation		
A	B	C	D	E	F	G	H	I	J	K
		£	£	£	£	£	£	£	£	

Other SEN Services

22	Autism Support Unit	88,230	35,000	25,000	0	0	0	4,810	118,040	
23	Support for inclusion	0	0	0	0	0	171,000	0	171,000	Savings plan item is impact from greater inclusion in mainstream schools and specialist support staff to assist schools.
24	Sensory Consortium Service	252,540	-57,000	0	0	0	0	7,630	260,170	
25	Speech and Language Services	223,800	-11,000	0	0	0	0	8,300	232,100	
26	Occupational Therapy	39,120	-2,000	0	0	0	0	1,450	40,570	
27	Integrated Therapies	21,950	-22,000	0	0	0	0	0	21,950	
28	Medical support to pupils pre 16	391,850	29,000	30,000	0	0	0	16,410	438,260	
29	Equipment for SEN Pupils	22,960	-23,000	0	0	0	0	0	22,960	
30	SEN Tribunals	50,610	1,000	0	0	0	0	2,010	52,620	
31	Support for Learning	126,460	-37,000	0	0	0	0	3,490	129,950	
32	TASS Learning Support	60,110	24,000	0	0	0	0	3,280	63,390	
33	Traveller Education	77,880	-10,000	0	0	0	0	2,690	80,570	
34	EY Management Staff	148,660	-4,000	0	0	0	0	5,640	154,300	
35	Child Development Centre	244,480	32,000	0	0	0	0	10,780	255,260	
36	Share of Head of Service	35,550	-1,000	0	0	0	0	1,350	36,900	
37	Savings Plan Management	155,000	-50,000	-155,000	0	0	0	0	0	
38	Savings to be identified	-84,000	84,000	84,000	0	0	0	0	0	
39	Standards and Effectiveness Team, Finance, HR, Business Intelligence and other support services	191,520	0	0	0	0	0	0	191,520	

2,046,720	-12,000	-16,000	0	0	171,000	67,840	2,269,560
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Line Ref	Description	2021-22 Current Budget	2021-22 Forecast Variance (December)	Proposed Budget Change					Proposed 2022-23 Budget	Summary Comment on significant "Proposed Budget change"
				Reset to 2022-23 full year	Demographic growth	Other Growth	Savings Plan items	Inflation		
A	B	C	D	E	F	G	H	I	J	K
		£	£	£	£	£	£	£	£	

2021-22 Budget over-allocation

40	Difference between amount approved by BF Council and Schools Forum	-755,700	5,699,000	755,700	0	0	0	0	0	Cost estimates increased between the January BF Executive budget setting and March review by the Schools Forum
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-755,700	5,699,000	755,700	0	0	0	0	0
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Provision for cost increases: January - March 2022

41	To reflect further placements after the December calculation for prior year costs	150,000	-150,000	-150,000	0	0	0	0	0	Costs from December 2021 built directly into appropriate budget lines
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150,000	-150,000	-150,000	0	0	0	0	0
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Grand Total	24,121,340	7,715,000	2,694,700	1,287,830	123,060	-515,000	1,195,490	28,907,420
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TOTAL CHANGE	4,786,080						
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Estimated DSG income	19,178,000							21,499,000
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Funding Shortfall	-4,943,340	-2,694,700					-7,408,420
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2021-22 on-going funding shortfall (columns C + E)	-7,638,040	
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