

TO: Schools Forum
DATE: 17 November 2022

Update on the 2023-24 High Needs Block Budget
Executive Director: People
Executive Director: Resources

1 Purpose of report

- 1.1 To seek comments from the Schools Forum on the key budget proposals expected for the High Needs Block (HNB) element of the Schools Budget.

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 As indicated in previous medium term financial plans, there are on-going significant financial challenges associated with delivering appropriate support and services to pupils and young people within available funds and another significant deficit is expected for 2023-24.
- 2.3 This report sets out the main budget developments for 2023-24 that are expected to be presented to the Forum for consideration as part of the budget setting process and is intended to ensure full engagement with school representatives.

3 Recommendations

- 3.1 That the Forum AGREES that the budget development items set out at paragraph 6.9 are included in the detailed budget proposals for 2023-24.**
- 3.2 That the Forum IDENTIFIES any other significant proposals that should be considered by the Council.**

4 Reasons for recommendations

- 4.1 To ensure that the 2023-24 HNB Budget is set in accordance with the overarching 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 as part of the budget setting process for the HNB deficit recovery.

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.

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

- 6.2 The council holds the statutory power to set the HNB Budget which has always been in accordance with the views of the Forum and this report therefore presents an important part of the budget setting process.

Financial context - national

- 6.3 The Forum is aware of the significant financial challenges facing most LAs in the management of their HNB budgets with the latest information from CIPFA – the public sector accountancy body – estimating cumulative deficits of £2bn against a national budget of £9bn.
- 6.4 To support LAs through this financial difficulty, the DfE has used a Safety Valve Programme which provided £400m to the 14 LAs with the highest deficits to implement recovery plans and fully remove their debt. More recently, the Delivering Better Value (DBV) Programme has been launched to support the 55 LAs with the highest deficits as at 2020-21 and aims to support local authorities to improve delivery of SEND services for children and young people while ensuring services are sustainable. As previously reported, BFC is included in the DBV programme.
- 6.5 The Forum is aware that the government has put in place a temporary statutory override to ring-fence DSG deficits outside of LAs financial responsibilities. As it stands, this ring-fence is due to end after the accounts for the financial year 2022-23, at which point LAs will need to demonstrate their ability to cover DSG deficits from their available reserves. This will create significant challenges for a number of LAs including BFC. Government officials have indicated to Treasurers' Societies that arrangements are being considered to defer this impact, though no details have yet been announced.
- 6.6 The HNB has received significant funding increases of around 8% in each of the 3 financial years up to 2022-23. HNB funding is increasing by £570 million, or 6.3%, in 2023-24. All local authorities will receive at least a 5% increase per head of their 2 to 18 population, compared to their 2022 to 2023 allocations, with some authorities seeing gains of up to 7%. The provisional increase for BFC is 5%.

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

Financial context - local

- 6.7 Locally, the BF HNB budget first overspent in 2019-20. The level of deficit has increased each year from £3.220m to a forecast £7.613m in 2022-23. The cumulative deficit on the HNB at the end of 2022-23 financial year is forecast at £22.800m which equates to around 106% of annual income.
- 6.8 As previously reported, the two key factors affecting the financial pressure are:
- Increasing numbers of pupils with a statement or Education Health Care Plan (EHCP)². In the 4 years between January 2018 and January 2022, BFC has experienced an increase of 63%.
 - A shortage of local provisions results in an over reliance on relatively expensive private, voluntary, and independent (PVI) sector providers. Over the last 4 years, the number of placements, excluding those in relatively inexpensive FE institutions have increased from 83 to 159 (+92%). During the same period, average cost of placement has increased by 33% to £61,730³.

Initial Budget Considerations

- 6.9 The following sections set out the significant budget developments expected for 2023-24 for which the Forum is invited to comment on. These reflect current on-going commitments, key assumptions relating to new requirements and the changes planned to service delivery over the medium term. Work on costing the developments is underway and will be presented in a first draft financial summary to the next meeting of the Forum.
1. The 2022-23 budget monitoring report presented as a separate agenda item indicates a current year forecast over spending compared to DSG of £7.613m. The medium-term nature that most of the commitments represent on budgets means a provision for these costs will need to be made within the 2023-24 budget.
 2. As set out above, there is expected to be a +5.0% increase in DSG income from the DfE for 2023-24. 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.

Whilst detailed government spending plans past 2023-24 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”. Therefore, increases in annual funding will be much reduced in future years.
 3. The number of pupils with an EHCP is expected to continue to rise. There was a 15% increase between January 2019 and 2020, 16% between January 2020 and 2021 and 10% between January 2021 and 2022. If the current year increase from April to September 2022 is maintained, there will be an 8%

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 Average FTE placements for the financial year that BFC is financially responsible for, reconciled to payments to providers

increase in 2023-24. An estimate for future rates of increases will need to be made in due course.

4. A provision for inflationary increases will need to be made. The proposed 2022 Teachers' pay award for a general 5% increase to pay from September 2022 and a further increase of 3% in September 2023, if agreed, will add approximately 3.8% to Teaching costs in 2023-24 when compared to 2022-23 costs. This will be partially offset by the removal of the 1.25% increase in National Insurance contributions that was originally expected to be paid through the Health and Social Care Levy. Furthermore, the September Consumer Price Index evidences an increase in general costs over the past year of 10.1%.

Inflation is expected to be subject to a lower rate of increase in future years but is still expected to be significantly higher than the recent past.

5. On-going budget developments:

- a. Increased use of SRPs:

As at September 2022, the primary school SRPs that opened in September 2021 now have 50 pupils on roll, with a notional capacity of around 70. Discussions with the schools will determine likely numbers on roll at September 2023.

To enable suitable transition for primary aged pupils into appropriate secondary school provision, the development of secondary based ASD SRPs is proposed. These SRPs should cater to children with High Function Autism with 30 places expected to be created through a robust co-produced procurement exercise. These 30 places should be developed in 2 schools across the borough, with the option to expand further to respond to changing numbers.

Discussions are also at an early stage to explore the potential to develop a further secondary unit to provide secondary placements for children with complex SEND as they transition from the Owlsmoor SRP. Further details will be released as the offer is developed in the coming months.

- 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. The LA is working closely with the school to develop provision further and to improve the learning environment and accommodation. Current information indicates there will be an average of 194.6 FTE students on roll for the year, split 158.3 FTE BF resident and 36.3 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.

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.

3 specialist support staff have been recruited to the Safeguarding, Inclusion & SEMH Service for a time limited period to the end of August 2024 to drive this forward.

Following on from the appointment of a Behaviour Analyst to the SEMH and Inclusion Team the team have been able to increase their capacity. They have streamlined the process of support to ensure they can analyse impact of interventions and support offered to schools. The team have developed a package of training in a Trauma Informed Approaches for schools.

Two Specialist teachers have joined the Autism Service, one for Primary and one for Secondary. This has created significantly increased capacity and the team have increased the number of cases open to the service and are also delivering specialist training to schools.

The Autism Advisory Support Service has introduced a training programme to support the development of Autism Support Assistants (ASAS) across all of our mainstream school settings. The aim is to develop the role of ASAs, as an additional resource within settings, to further support the inclusion of neurodiverse children and young people.

The first of these courses started in November and is running as an initial pilot for 6 schools. The initial response from staff attending has been extremely positive.

d. KLS outreach and increased capacity.

KLS is currently providing outreach support to Bracknell Forest provision and it is envisaged that this will continue, whether the Free Special School Applications are successful or not. 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 or supporting other locations.

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

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 12 weeks with effective transference of knowledge and skill back to mainstream schools to support pupils.

6. New budget developments:

a. New Special ASD School

The Department for Education have recently closed submissions for new free special schools. Bracknell Forest have submitted a bid in the hope of securing a free special school to support children and young people (CYP's) whose primary need is ASD. The bid outlines the need for a 100-place special school, catering for CYP's from key stage 1 to key stage 5. 4 potential sites have been made available to support the bid. Successful LA's will be informed in early 2023 followed by a formal tendering process.

b. New Special SEMH School

As part of the same submission as detailed above. The borough has submitted a second bid. This is for a 70 place SEMH special free school. The school if successful will provide much needed specialist education for children from key stage 2 to the end of key stage 4. As detailed previously successful LA's will be notified in early 2023, followed by tendering process.

c. Child Development Centre

There has been a significant increase in referrals to the service since September 2021 (circa 50%). Systems have been put in place to support this increase however it is not sufficient to deliver to children, families and early education settings the same support as previously or as regularly, therefore impacting on the rate of progress for some children. Early identification of support needs is essential to enable early intervention and minimise the need for more costly interventions at a later stage. Also, to progress the inclusion agenda and ensure children transition into statutory education successfully there is an identified need for support from the service for children who have EHCPs and additional needs. There is also an increase in ASD diagnoses, with an associated increase in EHCP Assessments for pre-school children, which will impact schools in the next five years. Therefore, to mitigate this increase, deliver an improved inclusion agenda and work with families and schools to meet needs in the mainstream sector, additional staffing will be required, currently estimated at 1.7 FTE, with pay grades also needing to be reviewed.

- 6.10 A number of the outline budget development items set out above will also require a detailed business case to verify forecast outcomes. Some will also require capital funding for which costs have yet to be quantified or funding sources identified.

Next Steps

- 6.11 The views of the Schools Forum regarding the final 2023-24 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. The draft timeline for setting the budget is as follows.

- 8 December: first draft costed budget plan for consideration
- 12 January: updated costed budget plan, reflecting on comments received by the Forum in December and other data changes
- 9 March: final HNB budget proposals reflecting current data and comments received from the Forum from 12 January

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.

Executive Director: Resources

- 7.2 The Executive Director: Resources is satisfied that no significant financial implications arise from this planning report. Whilst a number of developments are planned that are expected to contribute over the medium-term to widening choice and cost reduction, short term increases in spending may occur and it is not clear at this stage whether any resultant savings will be sufficient to move the HNB 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 pupils with SEND receiving timely and appropriate support for their education, that is financially stable. 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 as well as impacting on the overall financial position of the council.

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 Meetings and written reports.

Representations Received

- 8.3 Incorporated into this report.

Background Papers

None.

Contact for further information

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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**: £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 5% in 2023-24 over 2022-23 funding baseline levels. There is then a limit of 7% 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

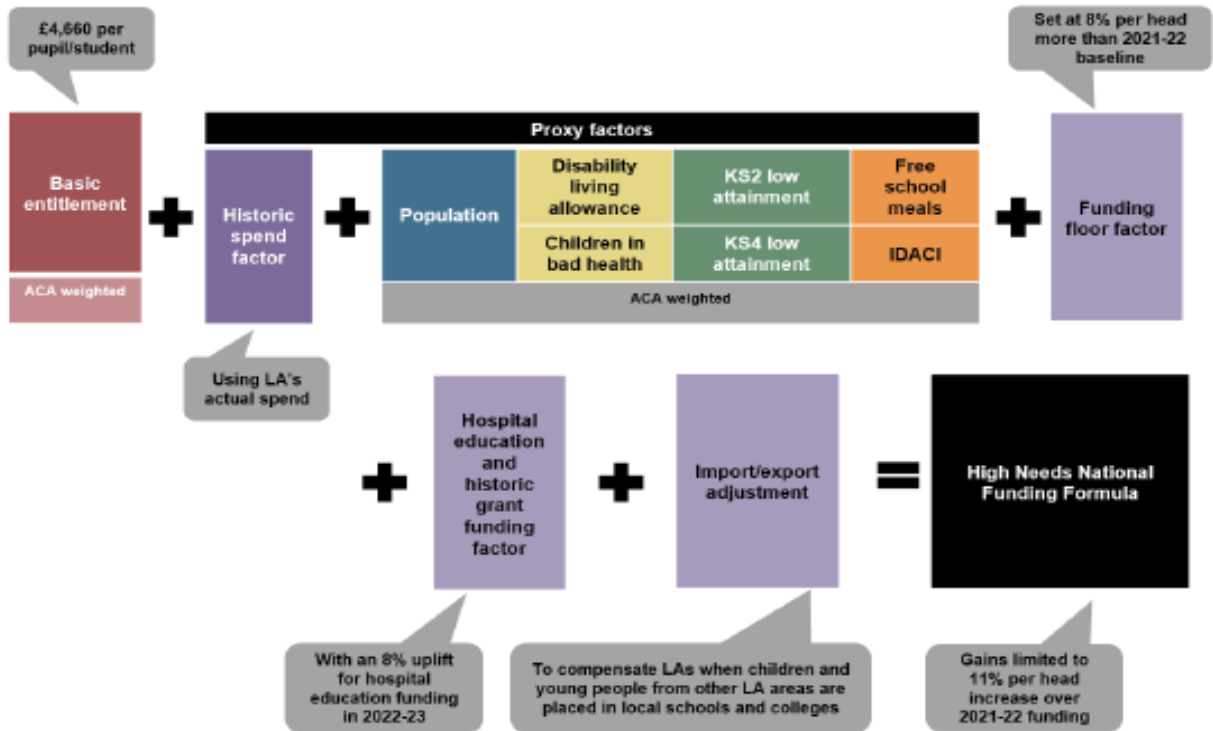


Figure 1: This diagram shows that the factors will be added together to give the formula allocation, with an area cost adjustment applied to the proxy factors and basic entitlement.

Formula split for Bracknell Forest

