

TO: Schools Forum
DATE: 12 January 2023

2023-24 Proposals for the High Needs Block Budget
Executive Director of People
Executive Director of Resources

1. Purpose of Report

- 1.1 To provide an update on the development of the 2023-24 High Needs Block (HNB) element of the Schools Budget in advance of final proposals that will be presented to the Forum in March.

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 Initial DfE funding allocations for the 2023-24 Bracknell Forest (BF) HNB confirmed an increase in per pupil funding of 5%, with total indicative income retained by BF of £22.993m.
- 2.3 The government's November 2022 autumn budget statement confirmed an extra £2bn funding for core school budgets of which it has subsequently been confirmed £400m will be used to support the HNB budget. This additional funding has been allocated to all LAs through a uniform 4.6% increase with BF receiving a further £1.034m, which along with other adjustments results in a total retained HNB Dedicated Schools Grant (DSG) allocation of £23.740m (+9.7%).
- 2.4 The work connected with the Written Statement of Action (WSOA) and the Developing Better Value (DBV) programme are influencing the future change programme although at this stage any potential impact from the DBV programme is excluded from the medium-term financial plan as the relevant work has yet to conclude.
- 2.5 Incorporating the key budget development items agreed by the Forum in November, the updated medium-term financial plan currently indicates a forecast deficit for the year of £7.166m. In terms of the cumulative deficit accrued in the HNB Budget, an over spending was first reported in 2019-20 which is forecast to aggregate to a £29.835m deficit at 31 March 2024 and £44.006m at 31 March 2026. It is intended that mitigating actions will be identified and implemented over that period that will materially improve this projection.
- 2.6 With reports that LAs in total are carrying £2bn of deficits, the DSG ringfence amendment to make clear that LAs are not liable for DSG deficits has been extended from the initial 3-year period that was due to expire at 31 March 2023 by a further 3 years to 31 March 2026.
- 2.7 In terms of statutory accounts, where an LA has an overall deficit, there is a requirement to publish a DSG Deficit Account. This not only includes The HNB deficit, but surpluses held from other areas such as the Schools Block and Early Years Block. Reporting on

this basis forecasts a £24.320m net deficit on the DSG at 31 March 2024. This is clearly a significant financial concern for the council.

3 Recommendations

- 3.1 That the Forum notes the updated medium-term financial plan which indicates an estimated deficit for 2023-24 of £7.166m and an accumulated HNB deficit at 31 March 2024 of £29.835m.**
- 3.2 That the Forum agrees whether any further budget developments should be included in the next update to the medium-term financial plan which will be reported to the Forum in March.**

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.

5 Alternative Options Considered

- 5.1 The proposals reflect the agreed budget strategy.

6 Supporting Information

Funding Framework

- 6.1 The HNB element of the DSG¹ 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 LA's 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 ensured that no liability for a deficit would fall onto an LA's to finance from their General Fund.
- 6.3 In recognition of the significant on-going financial challenges faced by many LAs with their HNB deficits, the government has confirmed that the originally intended 3-year time-limited period that these deficits would remain within the Schools Budget has been extended to 6 years and is now planned to expire at 31 March 2026.

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

- 6.4 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.
- 6.5 To add some current context to national HNB budget information, the Chartered Institute of Public Finance and Accountancy (CIPFA), estimates that cumulative deficits of £2bn are being held against a national budget of £9.6bn.

Financial context - local

- 6.6 Locally, the BF HNB budget first overspent in 2019-20. The level of deficit has increased each year from £3.220m to a forecast £7.482m in 2022-23 with the cumulative deficit at the end of 2022-23 financial year forecast at £22.669m. This amount exceeds the annual DSG HNB income for the year retained by the council.
- 6.7 As previously reported, the key factors affecting the financial pressure are:
- Increasing numbers of pupils with a statement or Education Health Care Plan (EHCP)². In the 5 years between January 2018 and January 2023 (provisional), BFC has experienced an increase of 80%.
 - 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.
 - During the period 2017-18 to 2022-23, retained grant income from the DfE has increased by 47%.

Update on the Written Statement of Action (WSOA)

- 6.8 The Written Statement of Action entails development work that will align to the HNB.
- Inclusion and early intervention and support for children and young people with SEN that will meet need at the earliest opportunity and ameliorate the escalation for the need to apply for / issue an EHCP.
 - Timely and targeted intervention that will lead to more children and young people being reintegrated into their mainstream settings, rather than moving into specialist provision.
 - Further development of the Specialist Resource Provisions to provide children and young people with access to mainstream education, whilst providing a more bespoke curriculum and support.
 - The development of in borough special school provision that will provide places for children and young people who require a more specialist education offer, but at a significantly lower cost than independent specialist provision.

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

The cost of these provisions and interventions will deliver savings over time and provide good quality provision for our young people and deliver better value for the HNB.

Update on the Delivering Better Value (DBV) Programme

- 6.9 Work has continued on the DBV programme with DfE funded external specialists. This new programme aims to support local authorities to improve delivery of SEND services for children and young people while ensuring services are sustainable.
- 6.10 We remain in Phase 1 which supported by a delivery partner, SEND Advisers and Financial advisers involves producing a comprehensive diagnostic and comprises:
- Local area stock take (assessment of existing processes, plans, capability, relationships, etc.).
 - Facilitation of key stakeholder engagement for each authority
 - Data analysis and assurance.
 - Identification of root cause/underlying cost drivers and mitigating solutions/reforms.
 - Improvement plan including reform implementation critical path
 - A quality assured DSG management plan.
- 6.11 2 of the 3 modules have now concluded: the data analysis; and using individual case reviews to identify the underlying cost drivers. Work is now progressing on refining the outcomes from these 2 modules to be in a position to complete an improvement plan to submit to the DfE as part of the funding bid. The deadline to submit the bid is 23 January 2023. Initial indications are that successful bids will receive around £1m to assist implementation. Work to date is in general validating the cost drivers and service development plan already identified by the council.
- 6.12 Until this work concludes, and the outcome of the funding bid is known, the potential impacts from the DBV programme are excluded from the medium-term financial plan. Phase 2 of the programme is implementation which is expected to last 12-18 months and deliver benefits to pupils and an improvement to the medium-term financial projections.

Working with other LAs

- 6.13 The Forum requested that the council consider how co-working with neighbouring authorities and sharing staff could bring costs down. A meeting with peers from neighbouring authorities to discuss therapeutic services and whether there was potential to work together has now taken place. Consultation has also been undertaken with neighbouring authorities on other pieces of work and has made good relationships with colleagues.
- 6.14 In addition to work around therapeutic services, neighbouring authorities were consulted regarding collaboration around special schools and provision and the council will continue to engage in discussions where this can affect collaborative working.

2023-24 Estimated HNB DSG income

- 6.15 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 2023 data which is not confirmed until after the commencement of the financial year. The July DfE funding announcement indicated a gross HNG DSG allocation of £23.857m which reduced to £22.993m after adjusting for the provisional impact of the import / export adjustment⁴.

- 6.16 Subsequent to the initial funding notification, the DfE has provided a number of updates to funding allocations which informs the calculation of the £0.312m estimated deduction to directly fund commissioned places at academies and other relevant providers located within BF⁵ and other minor adjustments totalling to a £0.024m addition. The most significant change relates to an additional £1.034m that has been received that reflects the additional high needs funding being allocated following the 2022 budget statement. This increase has been allocated to all LAs as a 4.6% increase on their initial funding allocation.
- 6.17 The latest information from the DfE therefore indicates a net retained DSG allocation for 2023-24 of £23.740m an increase of £2.102m (+9.7%) from the 2022-23 amount.
- 6.18 Members of the Forum are reminded of that the current DSG allocation through the DfE HNB NFF includes a very significant top up from the Funding Floor factor. This factor works to provide funding stability to LAs that were previously spending above the level determined through the HNB NFF. BF receives a £4.207m funding top up, equivalent to 18% of all income. If the council's funding was allocated through the pure operation of the NFF, it would receive £4.207m less income. The England average is 2%⁶. Figure 2 of Annex 1 illustrates the breakdown of the BF and England average HNB funding by NFF factor.

Budget Proposals

- 6.19 The previous meeting of the Forum agreed the key areas for budget for incorporation into the initial update to the 2023-24 medium-term financial plan. As well as incorporating this decision, account is also taken of the latest government spending announcements and the expected impact from current on-going commitments. The current plan follows in Table 1, with more commentary directly below, split between 2023-24 impact and future years. All amounts are indicative and subject to update for the March budget report as assumptions continue to be tested and reviewed and risks assessed.
1. As set out above, there is expected to be a £2.102m (+9.7%) cash increase in retained DSG income from the DfE. 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.
 2. Whilst detailed government spending plans for the period 2024-26 are not known, the DfE have previously advised LAs to “use an assumption of a 5% year-on-year increase in 2023 to 2024, and 3% beyond that”. The spending plans announced in the autumn 2022 financial statement increased gross funding

⁴ The ESFA use an import / export adjustment to move funds between LAs at source (to avoid billing) for children and young people living in one area and attending provision in another as LAs are only financially responsible for children and young people living in their area.

⁵ In a similar way to the import / export adjustment, the ESFA also implements a centralised deduction to LA funding to compensate places purchased at academies and FE providers.

⁶ July 2022 data from DfE.

allocations in 2023-24 to around 9.5% but beyond that, the budget assumption is for a 3% increase. This suggests increases of around £0.747m in 2024-25 and £0.769m in 2025-26.

3. £7.207m additional spend to bring the 2022-23 forecast on-going overspend as at October into the base budget calculation and therefore reflect the medium-term nature that most of the commitments represent on budgets. Rolling commitments are estimated at £28.845m.
4. £1.648m for the increase in the number of EHCP pupils. These are forecast to increase by 7.5% between January 2023 (1,246 plans) and January 2024 (1,339), with an average number of EHCPs for the period of 1,292 (increase of 100). This compares to an increase of 9% between January 2022 and January 2023, 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 NMSS.

The rate of increase in EHCP pupils is forecast to continue to rise in future years but reducing to 5% (80) in 2024-25 and 3.5% in 2024-25 (58). This equates to further pressures of circa £1.357m and £1.034m.

5. £0.113m for the Child Development Centre (CDC)⁷. The November Forum meeting agreed that in recognition of a circa 50% increase in referrals since September 2021, that a budget proposal should be presented for 2023-24. As previously advised, this increases staffing by 1.7 FTE to 9.0 FTE and enhances pay grades to bring equity to roles within Early Help and SEN and aid recruitment and retention. Additional staff will help meet demand and further develop transition to school thereby improving early interventions.

Whilst no specific items have been identified as arising in future years, for budget planning purposes, the assumption is that £0.100m of pressure will emerge each year and is therefore included in the medium-term financial plan.

6. £1.586m for annual inflationary increases (average 5.5%) from:
 - a. 5.2% for provisions in LA schools and services centrally managed by the council. This is the estimated cost increase for the specialist SEND providers maintained by BF (Kennel Land Special School, College Hall Pupil Referral Unit and the SRPs). It takes account of anticipated pay awards, utility charges and general price inflation, and reflects the actual spend profile by these expenditure types in the 2021-22 accounts.

This means top up funding (Element 3) for mainstream schools will increase by 5.4%.

For the specialist SEND providers 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). Furthermore, these providers tend to have a higher proportion of staff on Local Government pay scales than mainstream schools (41% compared to 18%), which increased by an average 10% in

⁷ The CDC delivers a service to children aged 0-5 years with SEND and their families, including: advice and guidance to early years settings, learning and development groups within the centre, transition from home to nursery, nursery to school, workshops/training for parents, workshops/training for professionals.

2022-23 resulting in a significant cost pressure. Taking account of overall affordability within the budget, it is proposed to add a further 1% to contribute to 2022-23 costs, making a total inflationary increase of 6.4%. The 1% addition equates to around £0.061m.

To ensure the specialist providers are adequately funded to an overall inflation uplift of 6.4%, the top up rates need to increase by a higher rate.

A similar rate of increase is assumed to be applied for BF placements in other LA schools.

- b. 5.2% for provisions in Non-Maintained Special Schools (NMSS) and other external settings.

Reflecting on the November 2022 inflation forecasts by the Bank of England, the rate of increase in costs is expected to be at a significantly lower rate in future years, with 2.0% assumed for 2024-25 and 1.5% for 2025-26. These assumptions indicate cost increases of £0.618m and £0.474m respectively.

- 7. -£1.286m aggregate cost reductions from the updated savings plan.

- 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 52 BF resident pupils on roll, with a notional capacity of around 70. A further 10-15 placements are expected to be commissioned from September 2023, with 2 SRPs looking at options to increase their current capacity.

Three secondary schools have submitted expressions of interest in hosting an SRP. Site visits have been arranged and discussions are underway with Headteachers. There has also been an initial meeting with the Headteacher at King's Academy Binfield to look at how to bring the 40 SRP places online that were included in the capacity design of the school. Some capital investment will be required to ensure that any new SRP spaces are fit for purpose, with the current budget plan forecasting 8 places from September 2023, rising thereafter.

This initiative is not expected to impact on the overall number of EHCPs but rather to use a lower of cost provision. Savings increase as more pupils are admitted to SRPs with a net saving of £0.487m forecast for 2023-24, primary through fewer placements in special schools, both maintained and NMSS. The forecast savings increase by a further £0.514m in 2024-25 and £0.550m in 2025-26.

To help manage the start-up and diseconomy costs anticipated for new SRPs, additional financial support is provided in the first 2 years. The Forum has previously agreed to the creation of an SRP Development Reserve which now holds a balance of £0.401m balance. Funding of £0.210m is expected to be required in 2022-23 with the remaining £0.191m funding expected to be utilised in managing the phased openings of the secondary SRPs.

- 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 194.6 FTE students on roll, split 158.3 FTE BF resident and 36.3 FTE 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 3 extra BF resident pupils attending KLS in Early Years Foundation Stage (EYFS) in September 2023, with a similar increase assumed in each subsequent September. This reflects the 5 other LA pupils currently at KLS EYFS.

If successful, this is expected to result in savings to the HNB of £0.029m in 2023-24, with further increases of £0.048m in 2024-25 and £0.050m in 2025-26. 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.

To affect this proposal, an investment in 3.0 FTE specialist support staff into the Inclusion & SEMH Service was agreed as part of the 2022-23 budget, for a time limited period to August 2024. The increased staffing capacity has resulted in streamlined support to ensure analysis can be undertaken of the impact from interventions and support offered.

Training in a Trauma Informed Approaches for schools has been introduced along with other packages such as a training programme to support the development of Autism Support Assistants (ASAs) across all 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.

As well as the new staffing, there is also additional top up funding for mainstream schools to reflect the higher support needs expected to be 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 approach 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, primarily with less NMSS and alternative provision (AP) placements. The model includes a reduction of 18 external placements in 2023-24 saving £0.770m and a further 14 in 2024-25 saving £0.796m. No additional

savings are anticipated in the model thereafter, although there is a full year effect from the September 2025 impacts, creating a further saving of £0.342m in 2025-26.

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.

The financial assumptions are that 10 extra places will be available for KLS from September 2024, 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 £0.015m 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 2025-26. At full capacity, annual savings of between £0.500m and £0.750m are forecast.

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 reintegration back into mainstream education. For planning purposes, opening is expected to be from September 2024.

The budget assumptions are similar to KLS satellite. There are expected to be 10 new places available from September 2024, 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 and more cost-effective assessments. 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 2025-26. At full capacity, annual savings of between £0.350m and £0.550m are forecast.

- 6.20 A further piece of work underway that may have a financial impact relates to the review of the banding matrix that is used to assess the needs of pupils and determine the level of additional “top up” funding to be paid on schools. A workshop for Heads and Special Educational Needs Co-ordinators has provided valuable feedback on the pros and cons of the proposed banding tool. This will provide a substantial base line to support effective modelling to understand the potential financial implications and is under evaluation.
- 6.21 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 indicative financial implications.
- 6.22 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

- 6.23 Table 1 below sets out a summary of the interim medium-term budget forecast, reflecting the changes set out above and current information and assumptions. The deficit forecast for 2023-24, which is subject to change, is £7.166m. The annual deficit forecast remains at around £7m for following 2 years. The forecast for the end of the current 3-year plan to 31 March 2026 indicates a cumulative over spending of £44.006m.
- 6.24 In terms of statutory accounts, where an LA has an overall deficit, there is a requirement to publish a DSG Deficit Account. This not only includes The HNB deficit, but surpluses held from other areas such as the Schools Block and Early Years Block. Reporting on this basis forecasts a £24.320m net deficit on the DSG at 31 March 2024, and which is forecast to increase to £38.451m by 31 March 2026.
- 6.25 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 quickly and enacted by the Council and schools.

Table 1: HNB Budget: Summary medium term financial forecast

Item	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
<u>Forecast income:</u>					
HNB DSG income - gross	20.328	22.741	24.891	25.638	26.407
<i>Annual change</i>	1.779 9.6%	2.413 11.9%	2.150 9.5%	0.747 3.0%	0.769 3.0%
<u>Adjustments:</u>					
Net impact of places in other LAs / NMSS	-0.894	-0.840	-0.840	-0.840	-0.840
BF academy places deduction	-0.256	-0.263	-0.312	-0.312	-0.312
Net retained funding	19.178	21.638	23.740	24.486	25.255
<i>Annual change</i>	1.859 10.7%	2.460 12.8%	2.102 9.7%	0.746 3.1%	0.769 3.1%
<u>Forecast spend - no interventions:</u>					
Actual spend	26.321				
Forecast spend / rolling commitments		27.027	28.845	30.906	31.623
New pressure - additional placements		1.289	1.648	1.357	1.034
New pressure - specific items		0.123	0.113	0.100	0.100
New pressure - inflation		1.195	1.586	0.618	0.474
<i>Annual change</i>		3.314 12.6%	2.557 8.8%	0.789 2.6%	0.251 0.8%
<u>Planned interventions:</u>					
Increased use of SRPs		-0.124	-0.487	-0.514	-0.550
Increased placements at KLS		0.000	-0.029	-0.048	-0.050
Inclusion at mainstream schools		-0.391	-0.770	-0.796	-0.342
Satellite special school with outreach		0.000	0.000	0.000	0.000
SEMH Hub		0.000	0.000	0.000	0.000
New ASD and SEMH Special Schools		0.000	0.000	0.000	0.000
Forecast impact of interventions		-0.515	-1.286	-1.358	-0.942
Cumulative savings		-0.515	-1.801	-3.159	-4.101
Net spend after planned interventions		29.120	30.906	31.623	32.289
Start-up / diseconomy costs at new SRPs		0.210	0.060	0.060	0.071
Draw down from SRP reserve		-0.210	-0.060	-0.060	-0.071
<u>HNB funding gap after interventions:</u>					
<u>HNB accounts from 31 March 2019</u>					
HNB under (-) / over (+) spend for the year	7.143	7.482	7.166	7.137	7.034
HNB surplus (-) / deficit (+) opening balance	8.044	15.187	22.669	29.835	36.971
HNB surplus (-) / deficit (+) closing balance	15.187	22.669	29.835	36.971	44.006
Deficit as a % of gross annual income	75%	100%	120%	144%	167%
<u>DSG Adjustment Account (all DSG balances)</u>					
DSG Adjustment account balance	9.340	17.194	24.320	31.416	38.451
Less Earmarked Reserves	-1.758	-1.374	-1.314	-1.254	-1.254
DSG Deficit - Unallocated	11.098	18.568	25.634	32.670	39.705

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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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. All amounts relate to July 2022 DfE funding announcements, excluding any area cost adjustment, unless otherwise stated:
 1. **Basic entitlement**: £4,660 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. 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. 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.

The component parts and associated allocations through the HNB NFF are illustrated in Figure 1 below with the financial impact in BF and the England shown in Figure 2.

Figure 1: the structure of the high needs national funding formula

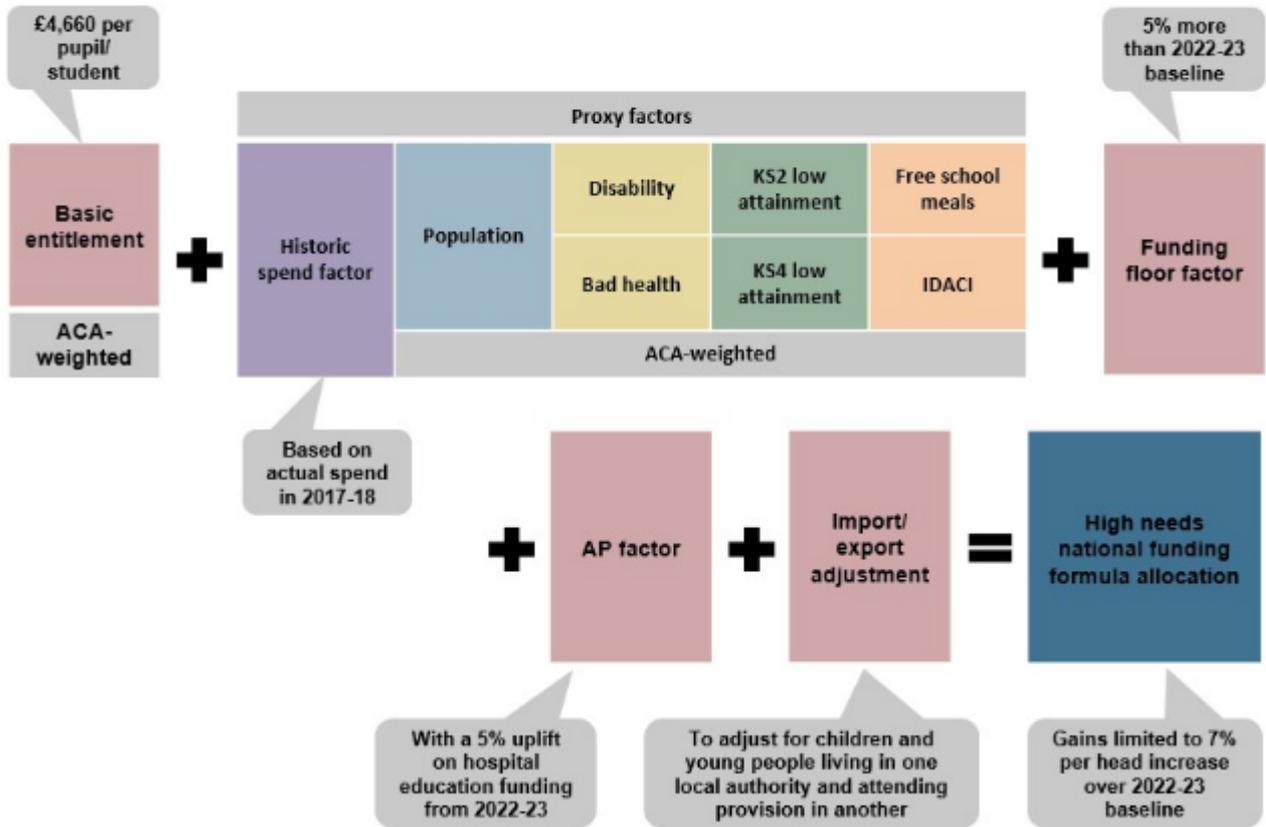
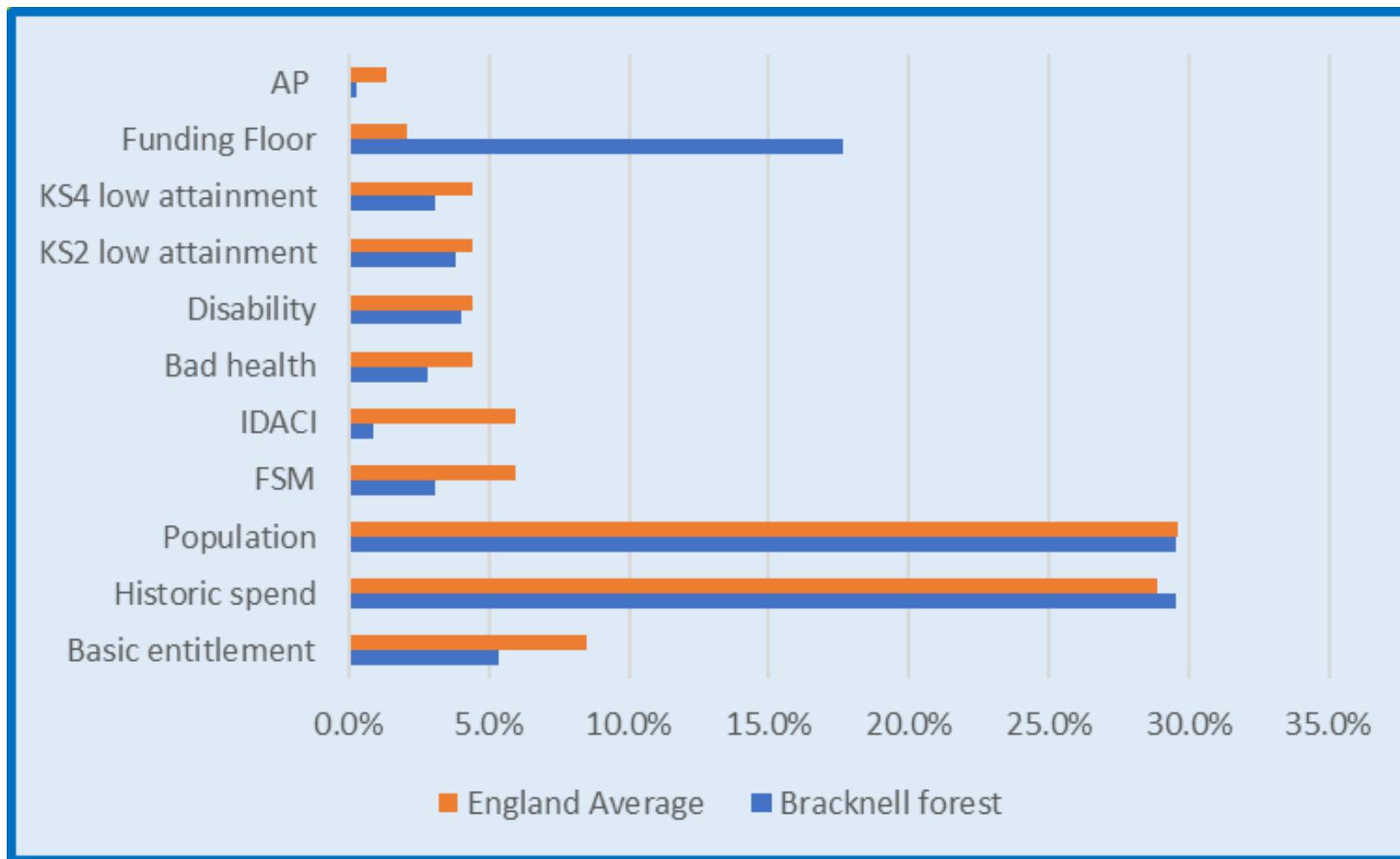


Figure 2: HNB Funding Formula split for BF and England average



Key themes on BF funding compared to the national average: BF basic entitlement from pupils in special schools is below the national average (5% compared to 8%) and reflects limited places in BF; deprivation funding (4% compared to 12%) considerably lower and reflects relative low levels of deprivation; Funding Floor factor significantly higher (18% compared to 2%) and represents funding received above the level delivered through the HNB funding formula and reflects the higher level of spend being incurred in BF before the new funding formula was introduced.