

To: **Schools Forum**
9 March 2023

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

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 Whilst the total cash provided by the DfE for the Bracknell Forest (BF) HNB will increase by 9.5% in 2023-24 to £24.891m, as in previous years, this is insufficient to meet the demands forecast.
- 2.3 Taking account of the budget developments and improvement programme agreed by the Forum in January, the revised medium-term financial forecast indicates a cumulative deficit on the HNB budget at 31 March 2026 of £43.396m which is 164% of annual income. Annual deficits forecast in the period range from between £7.365m and £6.631m.
- 2.4 The financial challenges being experienced are not unique to BF with many LAs accumulating significant deficits and having to set deficit budgets. This is recognised by the DfE which has established a number of LA support programmes, including the Delivering Better Value (DBV) Programme where the council has just been successful in bidding for a grant of £1m. It is intended that mitigating actions, including those within the DBV programme will be identified and implemented that will materially improve this projection.
- 2.5 Furthermore, with reports that LAs in total are carrying £2bn of deficits, the Dedicated Schools Grant (DSG)¹ ringfence amendment to make clear that LAs are not liable for deficits on their Schools Budget 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.
- 2.6 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 £24.212m net deficit on the DSG at 31 March 2024. This is clearly a significant financial concern for the council.

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

3 Recommendations

That the Forum agrees:

3.1 That the Executive Member:

- 1. sets the total HNB Dedicated Schools Grant retained budget at £23.740m**
- 2. releases £0.175m of funds from the SEN Resource Development Reserve to finance ongoing diseconomy costs at the new Special Resource Provisions**
- 3. confirms the changes set out in the supporting information (summarised in Table 1 and Annex 2) and relevant budgets are updated accordingly.**

3.2 That there are appropriate arrangements in place for:

- 1. The education of pupils with SEN (paragraph 6.17), and**
- 2. The use of pupil referral units and the education of children otherwise than at school (paragraph 6.17).**

That the Forum notes:

3.3 The updated forecast financial position of the HNB Budget at Table 1, which shows a forecast £7.365m over spending in 2023-24 and a £43.396m cumulative deficit on the High Needs Block as at the end of March 2026.

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 Alternative options were considered in the earlier stages of the budget setting process.

6 Supporting Information

Funding Framework

- 6.1 The HNB element of the 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.

Financial context

6.2 The BF HNB budget first overspent in 2019-20. The annual level of deficit has increased from just over £3m to around £7m a year with the cumulative deficit at 31 March 2023 forecast at £22.242m. This compares to DSG income for the year of £22.741m.

6.3 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 85%.
- 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%.

6.4 The DfE recognises that many LAs are facing prolonged financial challenges in managing their HNB budgets and has introduced the following key areas of support:

1. Updating the status of the DSG ring-fence through to March 2026 to make clear that any deficit must be carried forward to the Schools Budget in the next financial year or future financial years. This ensures that no liability for a deficit would fall onto an LAs to finance from their General Fund.
2. Introducing a Safety Valve programme to work with LAs holding the largest deficits to implement a change programme to return their HNB to a balanced budget. Provided the financial targets set are met, the DfE will finance repayment of the remaining cumulative deficit.
3. Introducing the Delivering Better Value Programme to improve delivery of SEND services for children and young people while ensuring services are sustainable. BFC has been successful in bidding for £1m of funding through the DBV, with more information on this presented on another item on tonight's agenda. At this stage the potential impacts from the DBV programme are excluded from the medium-term financial plan as work on the detailed programme takes shape which is expected to last 12-18 months and deliver benefits to pupils and an improvement to the medium-term financial projections.

Work with the first tranche of LAs on this programme has evidenced that in overall terms the programme hasn't found that LAs are wasting money on SEND and that the deficits generated can't be recovered from current levels just by better local management / provision / commissioning arrangements. A bigger solution is required.

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

2023-24 Estimated HNB DSG income

- 6.5 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 confirmed after the commencement of the financial year.
- 6.6 There have been no further DfE updates to the provisional DSG allocation reported to the Forum in January, which therefore remains unchanged at a gross allocation of £24.891m which reduces to a net retained amount of £23.740m after adjusting for the provisional impact of the import / export adjustment that compensates LAs that educate pupils from other areas and directly funded SEN places in BF academies. This equates to a £2.115m (9.8%) increase in retained HNB DSG from 2022-23.

Annex 1 provides more information on the national HNB funding framework and a breakdown of the component parts of the initial July 2022 BF notification.

- 6.7 Members of the Forum are reminded that the current DSG allocation through the DfE HNB NFF includes a very significant top up from the Funding Floor⁴ factor. This factor works to provide funding stability to LAs by ensuring a minimum year on year increase in funding. This particularly benefits LAs that were previously spending above the NFF level such as BF as it builds in the extra spend. BF receives a £4.207m funding top up, equivalent to 18% of all income. The England average is 2%⁵. Figure 2 of Annex 1 illustrates the breakdown of the BF and England average HNB funding by NFF factor.

Budget Proposals

- 6.8 Initial budget proposals for the HNB were presented to the previous meeting of the Forum on 12 January for comment where it was agreed that the developments presented were the key areas for action and that they would be reviewed and updated where relevant and form the basis of the final budget proposals which are now being presented.
- 6.9 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 is summarised in Table 1, with more commentary on the key developments directly below, split between 2023-24 impact and future years.:

1. As set out above, there is expected to be a £2.115m (+9.8%) cash increase in HNB DSG income from the DfE. This is a provisional increase and is expected to change when January census data for placements in Special Schools 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 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 allocations in 2023-24 to around 9.5% but beyond that, the budget assumption is for a 3% increase. This suggests increases of around £0.746m in 2024-25 and £0.769m in 2025-26.

⁴ The HNB NFF includes a funding floor factor which ensures LAs receive at least a specified year-on-year increase in funding.

⁵ July 2022 data from DfE.

3. £7.063m additional spend to bring the 2022-23 forecast on-going overspend as at December 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 £28.688m.
4. £1.976m for the increase in the number of EHCP pupils. These are forecast to increase by 7.5% between January 2023 (1,273 plans) and January 2024 (1,368), with an average number of EHCPs for the period of 1,321 (increase of 115). This compares to an increase of 12% between January's 2022 and 2023, 10% between 2021 and 2022 and 16% between 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% (82) in 2023-24 and 3.5% in 2024-25 (59). This equates to further pressures of circa £1.302m and £0.964m.

5. £0.113m for the Child Development Centre (CDC)⁶. 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. 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 to 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. £1.561m for annual inflationary increases (average 5.4%) 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 5.2%.

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 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.

⁶ 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.

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 £0.622m and £0.475m respectively.

7. -£1.233m aggregate cost reductions from the updated savings plan from:

- a. Increased use of SRPs:

A separate agenda item presents a detailed update on SRP developments, with a summary financial focus set out below.

The primary school SRPs that opened from September 2021 – Birch Hill, Harmanswater, Owlsmoor, Kings Academy Binfield, the Pines and Sandy Lane - now have 54 pupils on roll, with a notional capacity of around 80. A further 9 places are expected to be commissioned from September 2023, with a number of SRPs looking at options to increase their current capacity which could ultimately deliver around 95 places.

For secondary schools, initial planning assumes up to 4 new SRPs could be required. For September 2023, the initial expectation is for 8 placements at King's Academy Binfield and a further 3 in another SRP, to deliver 11 new places. The medium-term plan is for 4 secondary SRPs to be open for September 2024 delivering 38 places, rising to 63 for September 2025 with an ultimate total capacity of around 95 places.

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 £0.351m forecast for 2023-24, primary through fewer placements in special schools, both maintained and NMSS. The forecast savings increase by a further £0.607m in 2024-25 and £0.891m 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 SEN Resource Development Reserve which now holds a balance of £0.401m balance. Funding of £0.215m is expected to be required in 2022-23 with a further £0.175m anticipated for 2024-25 with the remaining £0.011m to be used in 2024-25.

Once the SEN Resource Development Reserve is fully utilised, any remaining diseconomy costs 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 FTE students on roll, split 160 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 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 £0.032m in 2023-24, with further increases of £0.053m in 2024-25 and £0.055m 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 (ASA) across all mainstream school settings. The aim is to develop the role of ASAs.

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 outcomes from this development are determined.

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 23 external placements in 2023-24 saving £0.850m and a further 14 in 2024-25 saving £0.825m. 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 £0.351m 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.

- 6.10 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.
- 6.11 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 investment for which costs have yet to be quantified or funding sources identified.

Updated HNB Budget Medium term financial forecast

- 6.12 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 is £7.365m with a cumulative deficit of £29.607m. The annual deficit forecast reduces over the next 2 years to £6.631m. The forecast for the end of the current 3-year plan to 31 March 2026 indicates a cumulative over spending of £43.396m.
- 6.13 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 historic surpluses held from other areas such as the Schools Block and Early Years Block. Reporting on this basis forecasts a £24.212m net deficit on the DSG at 31 March 2024, which is forecast to increase to £37.912m by 31 March 2026.
- 6.14 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.
- 6.15 The detailed budget changes anticipated at service level are set out in Annex 2 with Annex 3 showing the resultant summarised budget lines. 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 which may require in-year movement of budgets.

Table 1: HNB Budget: 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	-0.864	-0.840	-0.840	-0.840
BF academy places deduction	-0.256	-0.252	-0.312	-0.312	-0.312
Net retained funding	19.178	21.625	23.740	24.486	25.255
<i>Annual change</i>	1.859 10.7%	2.447 12.8%	2.115 9.8%	0.746 3.1%	0.769 3.1%
<u>Forecast spend - no interventions:</u>					
Actual spend	26.321				
Forecast spend / rolling commitments		29.195	28.688	31.105	31.644
New pressure - additional placements			1.976	1.302	0.964
New pressure - specific items			0.113	0.100	0.100
New pressure - inflation			1.561	0.622	0.475
<i>Annual change</i>		2.874 10.9%	3.143 11.0%	0.791 2.5%	0.054 0.2%
<u>Planned interventions:</u>					
Increased use of SRPs		-0.124	-0.351	-0.607	-0.891
Increase BF pupils at KLS		0.000	-0.032	-0.053	-0.055
Inclusion at mainstream schools		-0.391	-0.850	-0.825	-0.351
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	-1.233	-1.485	-1.297
Cumulative savings		-0.515	-1.748	-3.233	-4.530
Net spend after planned interventions		28.680	31.105	31.644	31.886
Start-up / diseconomy costs at new SRPs		0.215	0.175	0.011	0.000
Draw down from SRP reserve		-0.215	-0.175	-0.011	0.000
<u>HNB Anticipated funding gap after interventions:</u>					
<u>HNB accounts from 31 March 2019</u>					
HNB under (-) / over (+) spend for the year	7.143	7.055	7.365	7.158	6.631
HNB surplus (-) / deficit (+) opening balance	8.044	15.187	22.242	29.607	36.765
HNB surplus (-) / deficit (+) closing balance	15.187	22.242	29.607	36.765	43.396
Deficit as a % of gross annual income	75%	98%	119%	143%	164%
<u>DSG Adjustment Account (all DSG balances)</u>					
DSG Adjustment account balance	9.340	16.772	24.212	31.281	37.912
Less Earmarked Reserves	-1.758	-1.369	-1.194	-1.183	-1.183
DSG Deficit - Unallocated	11.098	18.141	25.406	32.464	39.095

Responsibilities of the Schools Forum

- 6.16 The Forum is requested to agree that the Executive Member sets the 2023-24 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.
- 6.17 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

- 6.18 The views of the Schools Forum regarding these 2023-24 budget proposals from the council will be considered by the Executive Member on 21 March, when a final decision will be made on HNB budgets. With the expectation that the budgets for updated on-going services in paragraph 6.9 points 1 – 7 will be agreed, provisional HNB funding allocations to schools will be provided in accordance with the current plan of week commencing 20 March.
- 6.19 Considerable further work is required to eliminate the circa £6m - £7m underlying annual budget gap.

7 Advice received from Statutory and other officer

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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Doc. Ref [https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools Forum/\(116\) 090323/2023-24 HNB Budget Preparations - 9 March v2.docx](https://bfcouncil.sharepoint.com/sites/fina/bpm/FIBPSCB-FIN9.6/Schools%20Forum/(116)%20090323/2023-24%20HNB%20Budget%20Preparations%20-%209%20March%20v2.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. 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 2022-23. 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

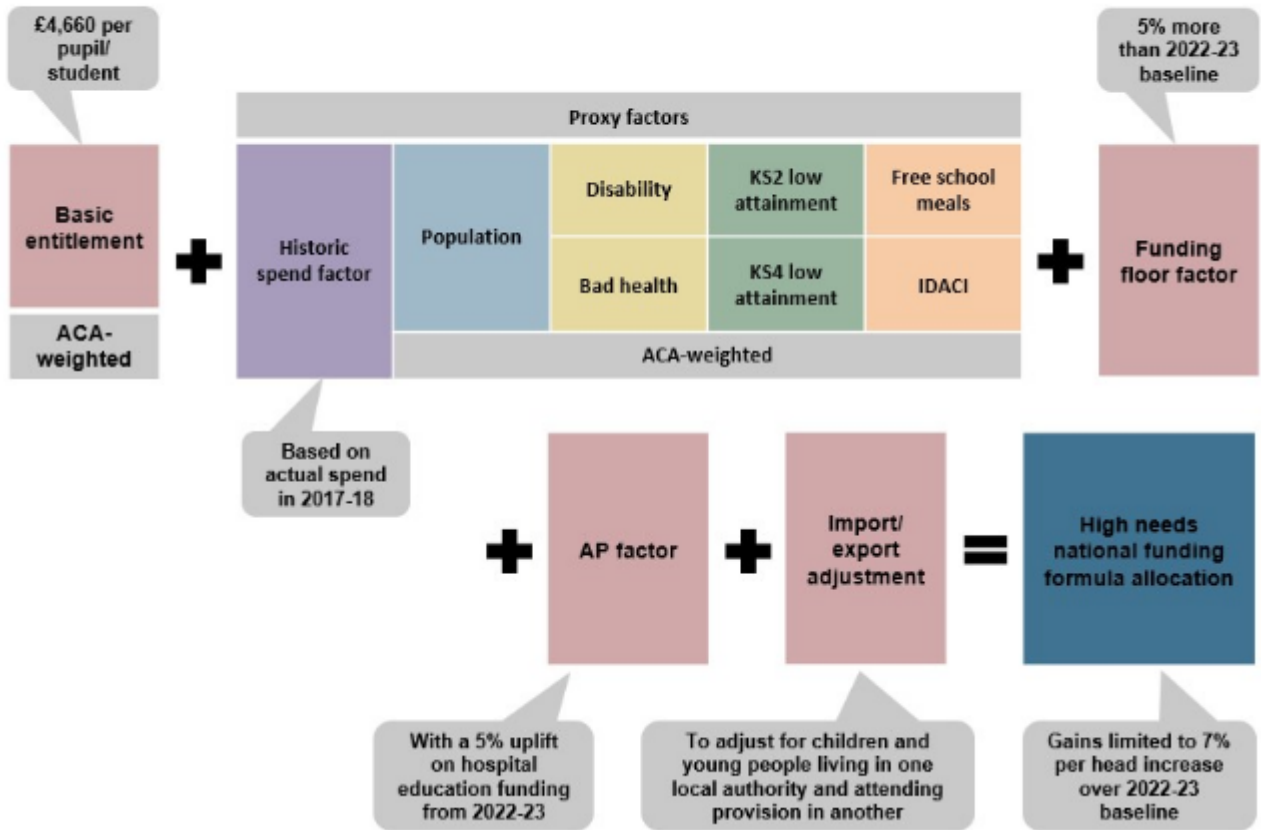
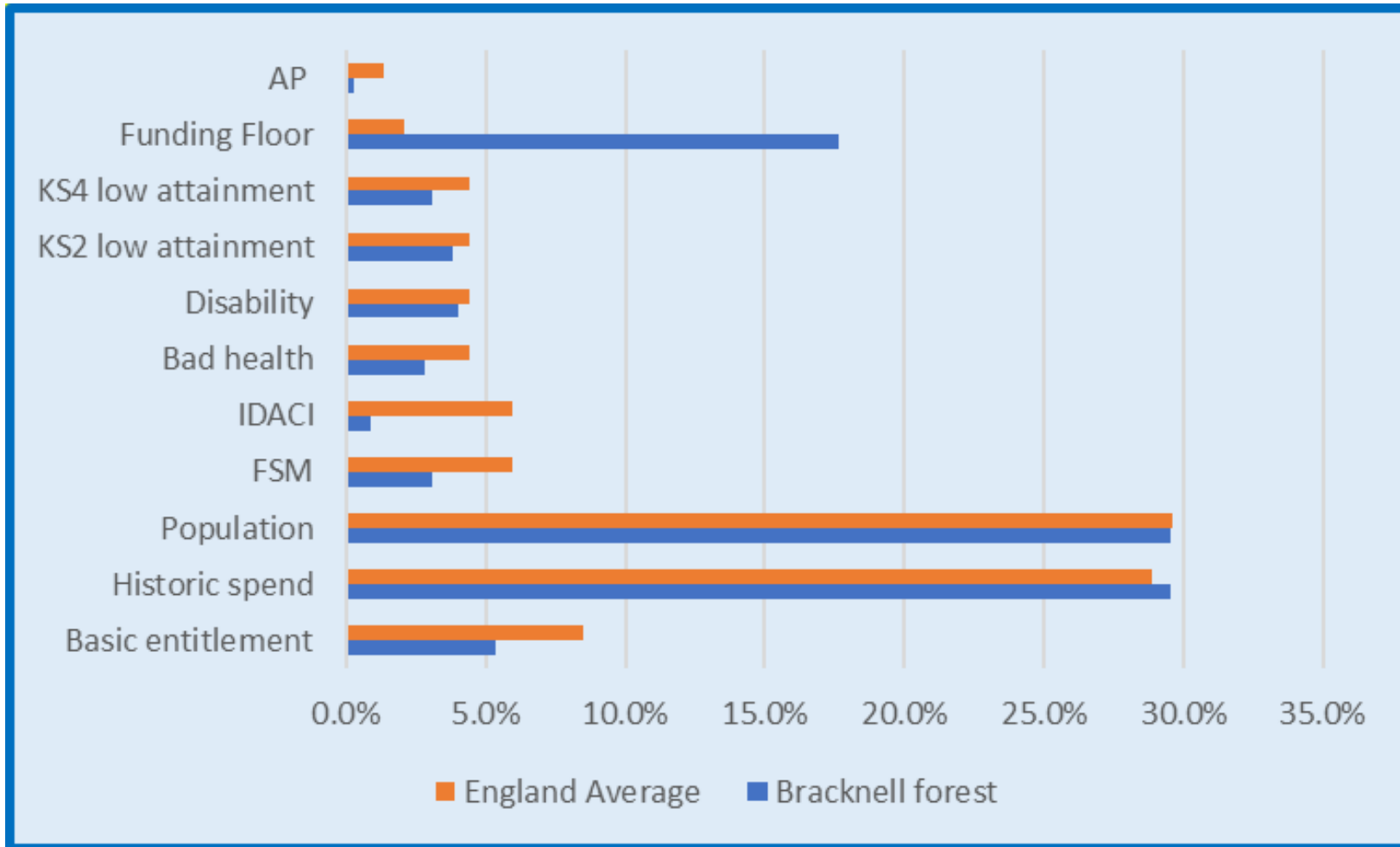


Figure 2: HNB Funding Formula split for BF and England average



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.

2023-24 Proposed HNB Budget detailed changes

Line Ref	Description	2022-23 Current Budget	2022-23 Forecast Variance (December)	Proposed Budget Change					Proposed 2023-24 Budget	Summary Comment on significant "Proposed Budget change"
				Reset to 2023-24 full year	Demographic growth / re-banding	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)	5,073,410	0	0	115,980	0	44,000	332,120	5,565,510	Current estimate is for initial budget requirement of 198 purchased places and 160.0 FTE BFC resident Element 3 top-up payments (no change from last year). The provisional spring term 2023 total (including other LA students) is 197.0 FTE (-0.5 FTE). Other growth pressure reflects re-banding of a number of pupils to ensure the "top up" funding is appropriate to changing pupil needs and funding relating to the former teachers' pay and pensions grants.
2	Kennel Lane Special School - in-year budget changes (BFC responsibility only)	77,570	1,000	-7,570	0	0	0	0	70,000	

5,150,980	1,000	-7,570	115,980	0	44,000	332,120	5,635,510
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Line Ref	Description	2022-23 Current Budget	2022-23 Forecast Variance (December)	Proposed Budget Change					Proposed 2023-24 Budget	Summary Comment on significant "Proposed Budget change"
				Reset to 2023-24 full year	Demographic growth / re-banding	Other Growth	Savings Plan items	Inflation		
A	B	C	D	E	F	G	H	I	J	K
		£	£	£	£	£	£	£	£	

Maintained Schools & Academies

3	Secondary SRPs - Existing	961,430	-82,000	-167,400	40,000	0	0	50,820	884,850	Resource is fully open and start-up costs no longer being funded.
4	Secondary SRP - New	0	0	0	0	0	176,000	0	176,000	Reflects the planned development of new SRP places in secondary mainstream schools. Savings Plan extra spend off-set by larger savings recorded against external placements budgets.
5	Primary SRP - Existing	187,240	-30,000	-30,000	0	0	-36,500	10,690	131,430	Reflects the closure of Rainbow SRP.
6	Primary SRP - New	348,000	0	35,330	0	0	395,000	0	778,330	Financial impact expected from expansion of the new SRPs. 63 places expected to be filled September 2023 compared to 54 at September 2022. Savings Plan extra spend off-set by larger savings recorded against external placements budgets.
7	BF mainstream schools - Element 3 top up payments	3,076,430	89,000	39,000	540,490	0	208,000	162,010	4,025,930	Growth pressure reflects the expected impact from increased EHCPs. Savings Plan item reflects additional top up payments to mainstream schools managing pupils with higher needs.
8	BF resident students attending other LA schools	3,162,170	-440,000	-440,000	549,950	0	-240,000	174,220	3,206,340	Growth pressure reflects the expected impact from increased EHCPs. Savings Plan item reflects reduced placements as more BF placements at new SRPs.
9	BF mainstream schools - Element 3 short term interventions	12,330	-12,000	0	0	0	0	640	12,970	
10	BF mainstream schools – top up to schools with disproportionate number of HN pupils	37,480	40,000	40,000	0	0	0	4,030	81,510	Increase in number oofs schools eligible for funding based on proportion NOR with EHCP and high spend on EHCPs.
11	Element 3 Early Years	23,210	10,000	10,000	0	0	0	1,730	34,940	
12	Post-16 SEND pupils in maintained school sixth forms	42,000	0	-30,000	0	0	0	0	12,000	Only paid to maintained schools. Academies directly funded by ESFA through deduction to BFC funding.
		7,850,290	-425,000	-543,070	1,130,440	0	502,500	404,140	9,344,300	

Line Ref	Description	2022-23 Current Budget	2022-23 Forecast Variance (December)	Proposed Budget Change					Proposed 2023-24 Budget	Summary Comment on significant "Proposed Budget change"
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		£	£	£	£	£	£	£	£	

NMSS & Colleges

13	Pre-16 provisions	9,183,410	-577,000	-577,000	619,840	0	-1,525,000	447,530	8,148,780	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
14	Post-16 provisions	2,194,210	260,000	260,000	109,380	0	0	127,620	2,691,210	Growth pressure reflects the expected impact from increased EHCPs.

11,377,620	-317,000	-317,000	729,220	0	-1,525,000	575,150	10,839,990
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Education out of School

15	College Hall PRU	1,197,700	350,000	4,230	0	0	0	76,290	1,278,220	
16	Home Tuition	587,550	313,000	213,000	0	0	-79,000	41,630	763,180	Part of 2022-23 over spend expected to continue into 2023-24 to meet anticipated demand. Savings plan reflects greater inclusion in mainstream schools.
17	Outreach	113,060	-53,000	0	0	0	0	5,880	118,940	
18	Alternative Provision for Primary Aged pupils without a statement	106,630	0	60,000	0	0	0	5,540	172,170	Additional pressure anticipated on AP provisions.
19	Alternative Provision for Secondary Aged pupils without a statement	90,950	-41,000	150,000	0	0	0	4,730	245,680	Additional pressure anticipated on AP provisions.
20	Other externally purchased Alternative Provision	41,460	0	40,000	0	0	0	2,160	83,620	Additional pressure anticipated on AP provisions.
21	Excluded pupil provision	21,030	-2,000	0	0	0	0	1,090	22,120	
22	Share of Head of Service	24,820	-1,000	0	0	0	0	1,290	26,110	

2,183,200	566,000	467,230	0	0	-79,000	138,610	2,710,040
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Line Ref	Description	2022-23 Current Budget	2022-23 Forecast Variance (December)	Proposed Budget Change					Proposed 2023-24 Budget	Summary Comment on significant "Proposed Budget change"
				Reset to 2023-24 full year	Demographic growth / re-banding	Other Growth	Savings Plan items	Inflation		
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		£	£	£	£	£	£	£	£	

Other SEN Services

23	Autism Support Unit	118,040	28,000	25,000	0	0	0	7,440	150,480	
24	Support for inclusion	171,000	0	0	0	0	0	8,890	179,890	
25	Sensory Consortium Service	260,170	-62,000	0	0	0	0	13,530	273,700	
26	Speech and Language Services	232,100	-19,000	0	0	0	0	12,070	244,170	
27	Occupational Therapy	40,570	-4,000	0	0	0	0	2,110	42,680	
28	Integrated Therapies	21,950	-42,000	0	0	0	0	1,140	23,090	
29	Medical support to pupils pre 16	438,260	11,000	10,000	0	0	0	23,310	471,570	
30	Equipment for SEN Pupils	22,960	-5,000	0	0	0	0	1,190	24,150	
31	SEN Tribunals	52,620	21,000	20,000	0	0	0	3,780	76,400	
32	Support for Learning	129,950	-47,000	0	0	0	0	6,750	136,700	
33	TASS Learning Support	63,390	16,000	0	0	0	0	3,300	66,690	
34	Traveller Education	80,570	-20,000	0	0	0	0	4,190	84,760	
35	EY Management Staff	154,300	-10,000	0	0	0	0	8,020	162,320	
36	Child Development Centre	255,260	37,000	0	0	113,000	0	13,270	381,530	Additional staffing resource to support significant increase in referrals.
37	Share of Head of Service	36,900	-3,000	0	0	0	0	1,920	38,820	
38	Savings Plan Management	91,580	-20,000	-91,580	0	0	0	0	0	Funding no longer required.
39	Savings to be identified	0	0	0	0	0	0	0	0	
40	Standards and Effectiveness Team, Finance, HR, Business Intelligence and other support services	191,520	0	0	0	0	0	0	191,520	

2,361,140	-119,000	-36,580	0	113,000	0	110,910	2,548,470
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Line Ref	Description	2022-23 Current Budget	2022-23 Forecast Variance (December)	Proposed Budget Change					Proposed 2023-24 Budget	Summary Comment on significant "Proposed Budget change"
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A	B	C £	D £	E £	F £	G £	H £	I £	J £	K

2022-23 Budget over-allocation

41	Forecast deficit approved by BFC in setting 2022-23 original budget	0	7,500,000	0	0	0	0	0	0	
		0	7,500,000	0	0	0	0	0	0	

Provision for cost increases: January - March 2023

42	To reflect further placements after the December calculation for prior year costs	201,570	-151,000	0	0	0	0	0	201,570	Cost estimates increased between the January BF Executive budget setting and March review by the Schools Forum
		201,570	-151,000	0	0	0	0	0	201,570	

Grand Total	29,124,800	7,055,000	-436,990	1,975,640	113,000	-1,057,500	1,560,930	31,279,880	
TOTAL CHANGE	2,155,080								
Estimated DSG income	21,624,800								23,740,000
Funds from SEN Reserve								175,000	
Funding Shortfall	-7,500,000	436,990							-7,364,880
On-going commitments	-7,063,010								

