

To:	Cabinet	Date of Meeting:	04 February 2021
Subject:	High Needs Funding Update		
Report of:	Head of Education Excellence	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Children, Schools and Families		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

The purpose of this report is to update Cabinet on:

- The financial position of the Dedicated Schools Grant (DSG) High Needs Block Budget;
- Actions to address ongoing in-year pressures; and
- Longer term sufficiency plans to meet increasing demand for specialist places, to improve processes and governance, and balance the budget.

Recommendations:

Cabinet is recommended:

- To note the latest High Needs forecast.
- To note the ongoing work to provide sufficiency of places over the medium term and bring the budget into a balanced position.
- To delegate authority to the Executive Director of Children Social Care and Education in consultation with Executive Director of Corporate Resources and Customer Services and the Cabinet Member Children's Services and Safeguarding to approve the recovery and improvement plan.

Reasons for the Recommendation(s):

To ensure Cabinet are informed of the forecast outturn position for the 2020/21 High Needs Budget.

To keep members informed of the progress of the sufficiency and improvement plan which aims to provide placements in Sefton for all children and young people with Special Educational Needs and Disabilities (SEND).

Alternative Options Considered and Rejected: (including any Risk Implications)

N/A

What will it cost and how will it be financed?

(A) Revenue Costs

There are no implications on the Council's revenue budget. The Dedicated Schools Grant is a ring-fenced grant for the provision of education. At this stage any deficit that exists in respect of high needs funding cannot be met by the use of General Fund resources, however the size of the deficit held by the council poses a risk to future financial sustainability should this direction change. It is important therefore that plans are developed, implemented and delivered in order that provision is made within the budget on an annual basis and in turn contributions can be made on an annual basis to the repayment of the deficit.

(B) Capital Costs

None from this report although capital schemes are already in progress which will start to address expansion of in-borough places.

Implications of the Proposals:

The following implications of this proposal have been considered and where there are specific implications, these are set out as follows:

Resource Implications (Financial, IT, Staffing and Assets): None
Legal Implications: None
Equality Implications: None

Contribution to the Council's Core Purpose:

Providing improved outcomes for children and young people with SEND aged 0 – 25 is a key aim of the SEND Improvement Plan. Enabling this through effective place planning across the borough alongside good financial management and the development and delivery of sustainable high needs budget support each theme of the Council's Core Purpose.

<u>Protect the most vulnerable:</u> See comment above
<u>Facilitate confident and resilient communities:</u> See comment above
<u>Commission, broker and provide core services:</u> See comment above

<u>Place – leadership and influencer:</u> See comment above
<u>Drivers of change and reform:</u> See comment above
<u>Facilitate sustainable economic prosperity:</u> See comment above
<u>Greater income for social investment:</u> See comment above
<u>Cleaner Greener:</u> See comment above

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources & Customer Services has been consulted and reviewed the report (FD 6252/20)

The Chief Legal and Democratic Officer has been consulted and has no comments on the report (LD 4453/20).

(B) External Consultations

N/A

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting.

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Appendices:

There are no appendices.

Background Papers:

There are no background papers.

1 Introduction

1.1 The purpose of this report is to update Cabinet on:

- The financial position of the High Needs Block (HNB) Budget;
- Actions to address ongoing in-year pressures; and
- Longer term sufficiency plans to meet increasing demand for specialist places, to improve processes and governance, and balance the budget.

2 Background – DSG and High Needs Block

2.1 The Dedicated Schools Grant (DSG) is a ringfenced grant from the Department for Education (DfE) to fund education provision. It is made up of four main funding blocks:

- **Schools Block** – Individual mainstream schools and academies.
- **High Needs Block** – Funding for the education of pupils with an identified special educational need and normally subject to an Education, Health and Care Plan (EHCP). The funding is for pupils from ages 0-25 in a range of provision including special schools, mainstream schools, alternative provision and independent specialist provision. It also contributes to council expenditure for High Needs support services.
- **Early Years Block** – Two-Year old Funding; Early Years Funding in Schools and Private, Voluntary and Independent provision (PVI); and local authority retained expenditure for under five year olds.
- **Central School Services Block** – Funding for LAs to carry out central functions on behalf of pupils in state-funded maintained schools and academies.

2.2 At the end of the 2019/20 financial year Sefton's DSG balances were as follows:

Table 1: DSG balances at 31st March 2020

Centrally Retained DSG Balances	01-Apr-19 £m	2019/20 Outturn £m	31-Mar-20 £m
Schools Block	-0.375	-0.169	-0.544
Early Years Block	-0.338	-0.167	-0.505
High Needs Block	0.943	4.491	5.434
	0.230	4.155	4.385

2.3 The High Needs Block Budget pressure increased dramatically during 2019/20. Surplus balances across the other DSG blocks were not enough to avoid an overall DSG deficit outturn as at 31st March 2020. The Education and Skills Funding Agency (ESFA) require all local authorities with a DSG deficit to develop a recovery plan outlining how they will bring their budget back into balance in-year and repay the accumulated deficit.

2.4 In addition, without a robust action plan to address the deficit there is the risk of a qualified value for money assessment from the external auditor.

2.5 Each meeting of Schools Forum and the SEND Schools Forum has received regular updates – reports and presentations – regarding the latest high needs budget position. The SEND Forum is a sub-group of Schools Forum and has been tasked with bringing forward a High Needs Budget Recovery and Improvement Plan. Any necessary consultation will take place in the spring and summer terms with the aim to implement the improvement plan from September 2021. The SEND Forum own the plan and membership is made up of head teachers and school representatives from primary, secondary, special, nursery and academy settings; and council officers from the education, communities and finance services.

3 Sefton’s High Needs Budget Position 2020/21

3.1 The outturn for DSG Block balances at the end of 2019/20 was an overall DSG deficit of £4.385m. This represents a more than 2% of Sefton’s total DSG allocation. The High Needs accumulated deficit is £5.434m which is 17% of the High Needs Block annual allocation.

3.2 An analysis of expenditure over the last five years shows how high needs costs have increased each year. The increase in year-on-year spend was £1m - £1.5m in each year between 2015/15 and 2018/19. The increase in 2019/20 compared to 2018/19 was over £3m. Further analysis is ongoing to determine whether this is due to growth in demand (the number of EHCPs), an increase in the average unit costs of settings, or a combination of both factors.

Table 2: Comparison of High Needs spend in the last five years

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Early Years	498	675	557	665	712
Primary schools	4,059	4,136	4,394	4,463	5,356
Secondary schools	1,344	1,358	1,596	1,549	1,745
Special schools inc Independent (out of bor'gh)	11,535	12,188	12,922	14,106	16,043
Support Services inc PRUs	4,656	4,736	5,107	5,086	4,765
Post 16 Provision	2,836	3,049	3,228	3,420	3,671
SMBC service provision	1,079	1,009	736	736	736
Total Expenditure	26,005	27,151	28,541	30,026	33,028
<i>Increase in spend compared to previous year</i>	<i>N/A</i>	<i>1,145</i>	<i>1,390</i>	<i>1,485</i>	<i>3,002</i>
Annual Allocation - Budget	25,302	25,673	26,712	27,748	28,537
(Surplus) / Deficit	703	1,478	1,829	2,278	4,491

3.3 The High Needs Budget in 2020/21 is £32.314m which represents a £3.8m uplift compared to the budget in 2019/20. However, this is not sufficient to fund levels of expenditure in 2020/21.

3.4 The latest High Needs forecast, as at November 2020, is reporting an overspend of £3.074m this year which would mean an overall cumulative DSG deficit balance

after netting off other block balances of over £7m. The key variations are shown below.

<u>High Needs Expenditure areas</u>	<u>Forecast 2020/21 Deficit / Underspend (-)</u>
Early Years – High Needs	-0.069m
Primary Resourced Unit Places	0.345m
Primary Mainstream School Top Ups	0.473m
Primary Resourced Unit Top Ups	0.101m
Primary Top Ups above – offset by Schools one-off contribution 2020/21	-0.226m
Secondary Mainstream School Top Ups	0.286m
Secondary Resourced Units Top Ups	0.038m
Secondary Top Ups above – offset by Schools one-off contribution 2020/21	-0.077m
Special provision - Non-Maintained Special Day Schools Out of Borough	1.242m
Maintained Special School Places	0.264m
Maintained Special Schools – Top Ups	0.406m
Post 16 (16-18) Top Up costs	0.317m
Post 16 (19-24) Top Up costs	0.195m
High Needs SEN Support Teams	-0.392m
Other net variations	0.171m
Total Forecast Overspending 2020/21	3.074m

4 SEND Sufficiency and High Needs Budget Recovery

4.1 The High Needs Budget Improvement Plan has focused on three key areas:

- Short-term mitigating measures to help to reduce in-year spend;
- Longer-term aims and objectives linked to improving process, consistency and transparency in the funding process; and
- Sufficiency planning to ensure that future provision meets the needs of children and young people whilst ensuring financial sustainability.

In-year mitigating actions

4.2 In this year, Schools agreed to a 0.5% transfer of funding from the Schools Block to High Needs, which amounted to additional resources of £0.824m; with a further contribution being made from the Early Years Block of £0.200m. In addition, in the Summer, mainstream schools agreed an Individual Schools Budget contribution, equivalent to the value of 10% of SEN support costs, towards High Needs budget pressures, which added a further £0.302m of resource into High Needs. Overall, additional resources of £1.326m have been made available to High Needs in 2020/21, above the basic DfE Block allocation for the year.

4.3 Every effort has been made to place children in local settings where this is appropriate, local settings are usually more cost effective and also ensure children aren't travelling significant distances to access their education. However, Special School places are full although the planned increase in Pupil Access Numbers is currently being progressed through the year groups in one of Sefton's special schools and additional resource base places have been made available since the start of the academic year.

Consistency and transparency

4.4 Work has been ongoing to share with Schools the review of High Needs through School Forum and representation of Headteachers and other practitioners at the sub-group of School Forum tasked with reviewing SEND funding. The SEND Forum has been meeting regularly to discuss improvements and address the funding shortfall.

4.5 This year will be a year of transition and consultation with all relevant stakeholders before a new system of governance across high needs funding is implemented for the 2021/22 academic year. As part of the transition process, interim measures have been agreed this year regarding children and young people in receipt of high needs funding, but who are not currently on an EHC plan. These children will continue to receive high needs funding support at current levels, and schools have also been able to apply for funding support for children in transitional year groups.

4.6 Governance improvements have been put in place which include new Service Level Agreements (SLA) between the local authority and Sefton's Schools with SEN Resourced Units. The SLAs outline the expectations in terms of placement outcomes and funding levels the schools should expect. This formal agreement provides clarity regarding the service provision on offer, how outcomes will be measured and gives certainty on the funding arrangements.

Sufficiency for Children and Young People who require additional education provision

4.7 The review of the SEN provision for children and young people has two strands:

- Placement sufficiency: this workstream will identify current gaps in provision, it will look at early years and primary age children who are coming through the education system and establish future provision requirements over the medium and longer term that will meet their needs. This will mean developing additional in-borough places – through mainstream inclusion and increasing specialist places – to replace reliance on out of borough options.
- Creating a more fit for purpose system of funding children and young people with SEND, both with and without EHCPs, which will address the overspend in the High Needs Budget and seek to plan more efficient needs led funding systems going forward.

4.8 A Sufficiency Statement Review has been undertaken by the SEND service. It sets out the current picture of SEND school provision within the Local Authority whilst also outlining the current demand for specialist provision for children with an Education, Health and Care Plan.

- 4.9 The review acknowledges the current challenge regarding available capacity. Special and resourced school numbers on roll are higher than Pupil Admittance Numbers (PAN) overall. As well as in-borough special school capacity, and the pressure that puts on approving out of borough (independent) placement alternatives, the fact is that now even independent places are close to being full.
- 4.10 Aligning the PAN of schools to actual numbers on roll will be addressed in time for the new financial year, to ensure that school budgets reflect the levels of support required for the pupils attending. In addition, there has been an encouraging start to address some of the provision capacity issues. Where possible there has been expansion of Sefton's special and resourced base school settings, which will avoid out of borough placements, keeping children closer to their communities, reducing travel time for children and proving benefits from a cost avoidance perspective.
- 4.11 It is recognised that further expansion will need some significant planning and capital investment. In the meantime, the SEN service is focusing on a refresh of the expectation around inclusion and the Graduated Approach, which has been updated in consultation with partners and rolled out to schools to help meet need through mainstream settings. It has also been shared with Sefton Parent Carers with a view to co-producing a parent's version.
- 4.12 A new system of funding and transparent governance will positively support children with SEND across mainstream, resourced and special school placements. Schools will be enabled to positively facilitate inclusion of children with SEND. Practitioners and schools want a clearer, consistent high needs funding framework that allows schools to be innovative in their approaches to supporting children with SEND and that can also take account of the many different situations that can face schools when looking at provision and funding.

Early Years

- 4.13 Early Years funding support for young children with SEN, currently channels through the High Needs budgets, with an annual funding contribution from the Early Years Block since 2018/19, of £200k.
- 4.14 Under the High Needs review, a special representative group from across the Early Years sector has been brought together, led by the Senior Educational Psychologist, who supports Early Years High Needs children, with a view to developing a separate SEN Inclusion Fund (SENIF) which would sit within Early Years, leaving just the budgets needed for managing support for more complex SEN children within High Needs.
- 4.15 This is a system that is in place and works well in a number of other local authorities. The working group has met twice in the autumn and scenarios are being discussed for establishing a properly managed SENIF from the next academic year. SENIFs are essentially established to support children with low level/emerging SEN needs and the definition of this will be important to the future funding criteria. Funding between Early Years and High Needs will also need to be carefully determined when the new SENIF is established.

Post-16

- 4.16 Post-16 provision is one of the main areas in the budget which has seen costs rise over the last five years. Since 2015/16 there has been a 33% increase in the number of approvals for Post 16 “Element 3” top up funding, resulting in a significant rise in expenditure. Providers across the Liverpool City Region have consistently exceeded their number of allocated places, leading to increased levels of funding requests. The issue of parental preference has led to an increase in applications for a number of Providers, including Independent Specialist provision. This is in line with the SEND code of practice as parents are able to state their preference for the school of their choice.
- 4.17 The current strategy and approach to post-16 and further education (FE) provision for managing the demand pressures are:
- All young people with Special Educational Needs and/or Disabilities (SEND) achieve their potential. High quality provision should be in place to enable young people to progress in learning, with the long-term aim of achieving paid employment where possible.
 - We have partnered with our two local FE Colleges to deliver a Supported Internship programme to provide suitable opportunities for young people.
 - Prior to leaving school, each young person should have a preferred option for their post-16 pathway, aided by support from the school and where suitable Career Connect, the Authority’s commissioned Information, Advice or Guidance (IAG) and Not in Education, Employment or Training (NEET) reduction service.
 - From Year 9 onwards, EHCP Reviews increase the focus on potential progression routes and effective transition to the next stage.
 - The aim is for young people to participate in mainstream education wherever possible – with support if required. Young people not ready to enter mainstream Colleges may be able to attend Thornton College (a partnership with Hugh Baird College) prior to moving to their longer-term destination.
 - Developing more flexible provision – Thornton College has evolved to now offer 1 to 3 year programmes to support young people to progress to mainstream provision at college. There has been a pilot scheme to expand the Thornton College cohort to include Autistic Spectrum Disorder (ASD) students following consultation with local colleges, Special Schools and parents/carers.
- 4.18 Other initiatives being trialled in Post-16 should see further cost reduction and include:
- A targeted early intervention support aimed at 14-16 year olds who have been identified as being at risk of becoming NEET.
 - There has been a greater emphasis placed on an enhanced transition process, involving the local FE Providers at a much earlier stage. Sefton has produced a Guide focusing on Preparation for Adulthood (PfA) which includes key information regarding transitions:
<https://www.seftondirectory.com/kb5/sefton/directory/advice.page?id=qBHbJ6Vn4Es&localofferchannel=0>
 - Work with Career Connect is ongoing to make better use of data to ensure that the service is better equipped to meet the needs of the post-16 cohort.
 - The Sefton Post-16 High Needs Funding and Placement Panel has, for 2021/22, refined the decision making process to Thornton College placements

by adopting a 'whole cohort' approach to approvals to ensure that the most appropriate students are placed at Thornton rather than the traditional model that has been used which could run the risk of Thornton reaching full capacity before all applications had been received.

- 4.19 All the initiatives outlined have been developed in consultation with partners ranging from education providers to the local Parent Carer Forum and have been designed to challenge/improve traditional methods of working.
- 4.20 While all are in early/pilot stages, initial indications are that the changes have produced positive developments. The new ASD cohort at Thornton have settled well, both Southport and Hugh Baird Colleges have worked with local Special Schools to attend Reviews, where possible, to improve the transition process and the PfA Guide provides young people and their families with important information as they approach adulthood.

5 Risk and Financial Implications

- 5.1 The workstreams underway across school age, early years and post-16 are all designed to: achieve increased inclusion in mainstream provision; review and confirm the necessary specialist provision needed now and going forward to support children to access their education in their community; and to reduce reliance on more expensive out of borough and independent provision.
- 5.2 From a financial perspective the measures need to address the existing in-year funding shortfall, i.e. annual spend exceeding the annual high needs funding allocation. The provision of specialist education needs to be provided within the available budget envelope from 2021/22 and from there a strategy to payback the accumulated deficit will need to be developed.
- 5.3 The DfE permit local authorities to carry forward a deficit on their DSG Centrally retained balances without any obligation, currently, to support a deficit position out of core Council balances. However, the council cannot continue to oversee the growth in this deficit in future years. External auditors are required to audit value for money and a continuing overspend will risk a qualified opinion. In addition there is no guarantee that permission from Government to carry forward DSG balances will continue indefinitely.
- 5.4 Regular progress is reported to each meeting of the SEND Forum and the main School Forum. In addition a quarterly report will be brought to Cabinet to update on progress regarding the improvement plan and latest budget position.