

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	3 February 2022
<b>Subject:</b>	Sefton High Need Funding Allocation 2022/23 Update		
<b>Report of:</b>	<b>Head of Education Excellence</b>	<b>Wards Affected:</b>	All
<b>Cabinet Portfolio:</b>	Education		
<b>Is this a Key Decision?</b>	No	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No		

**Summary:**

To inform Cabinet of the confirmed High Needs Funding Block allocation for 2022/23 which were announced by the DfE on 16<sup>th</sup> December 2021 as part of the Dedicated Schools Grant settlement for 2022/23. Some extra funding in 2022/23 for Schools and High Needs (£1.6bn) was announced in the Chancellor's Spending Review and Autumn Budget in late October, and further guidance on the allocation of this additional funding has also been received by Local Authorities in December 2021.

**Recommendation(s):**

**That Cabinet is requested to:**

- 1) Note the estimated Outturn position for High Need Block 2021/22 and the projected accumulated High Needs deficit
- 2) Note the confirmed High Needs Block funding allocation for 2022/23
- 3) Note the additional Supplementary Grant funding allocation to support High Needs pressures in 2022/23

**Reasons for the Recommendation(s):**

Provide Cabinet with update on the estimated Outturn position 2021/22 and revised funding allocation for 2022/23 for Sefton's DSG - High Needs Block.

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

No other options are available.

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

All financial implications are contained within the report and will be reflected in the forthcoming Budget report that will be presented to Council in March 2022

**(B) Capital Costs**

N/A

### Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> All implications are detailed in the report	
<b>Legal Implications:</b>	
<b>Equality Implications:</b> There are no equality implications.	
<b>Climate Emergency Implications:</b>	
<b>The recommendations within this report will</b>	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

### Contribution to the Council's Core Purpose:

(Please give a brief description of how the proposals set out in the report contribute towards the following Council's Core Purpose. Insert 'not applicable' where required **and remove this text**)

Protect the most vulnerable: allows a Sefton wide focus on educational support for children with SEND
Facilitate confident and resilient communities: Proposals allow greater localised control and focus on the SEND requirements of the borough of Sefton in the review and delivery of SEND Specialist Education Placements and Support Services
Commission, broker and provide core services: Proposals strengthen the role of Strategic SEN Commissioning at a Sefton borough level and encourages greater collaboration with in-house SEND Settings for better outcomes for children
Place – leadership and influencer: Proposals set out the road map for greater local control of SEN demand / provision by the Council
Drivers of change and reform: : Proposals allow for a Sefton wide focus on educational inequalities in provision for children with SEND
Facilitate sustainable economic prosperity: Proposals allow for a broader financial focus on the borough of Sefton for education SEN support

Greater income for social investment: Proposals allow for a broader financial focus on the borough of Sefton for education SEN support

Cleaner Greener: The creation of more local in-house SEN provision should reduce SEND home to children's transport journeys and so reduce carbon emissions

## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD 6693/22) and the Chief Legal and Democratic Officer (LD 4892/22) have been consulted and any comments have been incorporated into the report.

### (B) External Consultations

## 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 to this report

## Background Papers:

Council Report - High Needs Funding Update January 2022

### 1. Introduction/Background

- 1.1 The 2022/23 Dedicated Schools Grant Funding Allocations were included as part of the Government's National Funding announcements in the Summer of 2019 in support of Schools and High Needs. The 3-year funding package promised an additional investment totalling £7.1bn between 2020/21 and 2022/23, against the 2019/20 baselines. The funding settlement included: £2.6bn in 2020/21 (incl £780m for High Needs); £2.2bn in 2021/22 (incl £730m for High Needs); and £2.3bn (incl £780m for High Needs) in 2022/23.
- 1.2 The 2022/23 Dedicated Schools Grant settlement was confirmed on 16 December 2021 and is based on four main funding blocks; Schools; Central School Services; High Needs and Early Years. This is in line with Department for Education (DfE) announcements regarding 2022/23 funding guidance

issued in Mid July 2021.

- 1.3 Some additional funding in 2022/23 for Schools and High Needs (£1.6bn nationally) was announced in the Chancellor's Spending Review and Autumn Budget in late October 2021.
- 1.4 In December, the Government announced that, of the additional £1.6bn funding announced in the Spending Review; £0.325bn was being allocated to High Needs Block, with the balance; £1.275bn going to schools, of which approximately £400m of this would be towards the 1.25% employers National Insurance increase from April 2022, announced in the Summer, to compensate for the new levy on National Insurance, which is going towards Social care and Health Service increases. All schools will also be expected to fund any agreed pay awards from this funding in 2022/23.

## **2. Forecast High Needs Outturn for 2021/22 as at November 2021**

- 2.1 The High Needs budget overspent in 2020/21 by £2.815m taking the Deficit Balance brought forward on High Needs to a level of £8.249m-this is the highest this balance has been. This was due mainly to growing expenditure against SEN Support top up awards to mainstream schools across Pre and Post 16; and in sending Children and Young People with SEND to more expensive out of Borough Special School placements. These areas are, and continue to be, the focus of the High Needs review. Despite the additional funding in 2021/22 and extra support from schools, it remains well below the level of forecast spending. The current forecast overspend is estimated to be between £2.9m (current forecast) and £3.2m this year
- 2.2 Sefton's High Needs budgets have been under severe pressure over the last seven years and as stated have been forecast to overspend by nearly £3m in 2021/22, despite significant increased levels of funding in 2021 and £0.430m contributions from Schools. This will increase the deficit on High Needs centrally retained balances, to a level in excess of £11m by the end of the year.
- 2.3 Key areas of the forecast £2.9m overspend against current budgets this year are shown in the table below

<b><u>High Needs Expenditure areas</u></b>	<b><u>Forecast 2021/22 + Deficit/ (-) Underspend</u></b>
Primary Mainstream School Top Ups	0.318m
Primary Resourced Unit Top Ups	0.098m
Secondary Mainstream School Top Ups	0.580m
Special provision - Non-Maintained Special Day Schools Out of Borough	1.456m

Maintained Special School Places and Top Ups	0.841m
Post 16 (19-24) Top Up costs	0.107m
Outreach	-0.108m
High Needs SEN Support Teams	-0.582m
Mid-Year change to HN Funding for increases to IMPORT/EXPORT numbers	0.186m
Other net variations	-0.008m
<b>Total Forecast Overspending 2021/22</b>	<b>2.888m</b>
<b>Brought forward HN DSG Deficit from 2020/21</b>	<b>8.249m</b>
<b>Forecast C/FWD HN Deficit to 2022/23</b>	<b>11.137m</b>

- 24 The Local Authority will have to prepare a 3-5-year recovery plan to the DfE with an explanation of actions being taken to reduce this deficit and consequently deliver the service within the annual resources made available. As reported to Council in January 2022, a comprehensive review of High Needs spending continues to evolve and progress will be reported quarterly to Cabinet, however this is moving quite slowly at present, and whilst some changes may be expected in the coming year, as agreed by Council, this may see increased costs to High Needs, as a result of the proposed right sizing of school budgets and new methods of allocating funding to the Special Schools

### **3. Sefton's 2022/23 High Needs Funding Allocation**

- 3.1 The increase in funding to Sefton's High Needs Block, before any deductions by the DfE for directly funded institutions, but including Import/Export adjustments for students; and the element for Teachers Pay and Pension funding in Special Schools and the Pupil Referral Units is £3.495m in 2022/23. This represents a +9.71% increase on the equivalent funding for 2021/22.
- 3.2 The High Needs element of the additional £0.325bn funding has already been determined, and announced in December, with Sefton getting an additional £1.478m within its Block allocation in 2022/23 over and above the normal increase promised as part of the Government's 3-year funding programme to 2022/23.
- 3.3 The total funding increase to High Needs from both funding streams totals £4.973m (+13.83%). This overall increase will be smaller however, once deductions are made for the direct payment for places at Independent / Non-Maintained special schools and Colleges of FE by the ESFA (£-0.738m).
- 3.4 In addition, High Needs will not be receiving any further support from the Schools Block in 2022/23, which will further reduce the available funding next year, by £-0.430m. The overall new increase will, however, help towards meeting the ongoing budget pressures across High Needs in 2022/23, which is still subject to a review of local funding allocations and changes necessary

to control spending.

- 3.5 Despite this high level of increase to funding next year, it is still considered that this will not be sufficient to meet the additional cost pressures on High Needs next year. The uplift to the High Needs Place funding formula for Special Schools; Pupil Referral Units and Resourced Units, as approved by council, is likely to cost around an additional £2m over the next two years; and as part of the continuing SEN Review a proposed new banding structure for SEN Support to schools is also being considered. Members will recall that within the recent Council paper it was assumed based on previous information that the deficit in 22/23 would be £12.408mm on the High Needs budget. Following confirmation of funding and additional resources it is forecast that this deficit will be £12.493m.
- 3.6 The projected deficit position does not include any uplift required to right size Special School budgets or any increase in budget pressures which may relate to the additional £1.478m supplementary grant funding. If the additional funding was offset by extra budget pressure and Council agree to the uplift to right size Special School budgets' then the deficit would increase to £15,971. However, the phasing in of the Special School funding increases by using some of the schools current balances may reduce this deficit figure for 2022/23.
- 3.7 The following table showing the year on year effect of changes to High Needs funding from 2021/22 to 2022/23 and provides an overview of the makeup of Sefton's High Needs Funding.

<b>HIGH NEEDS FUNDING ANALYSIS</b>	<b>Revised (Nov 21) 2021/22</b>	<b>Initial 2022/23</b>	<b>Variation</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>High Needs Formula</b>			
Historic based funding 50% and Proxy Factor Funding 50% before deductions for recoupment by the DfE	£32.563m	£35.843m	+£3.280m
ADD Area Cost Adjustment Basic Entitlement calculation - incl changes to population etc 2019/20 / 2020/21	£2.998m	£3.182m	+£0.184m
<b>Additional funding earmarked for Maintained Special Schools &amp; AP in respect of Teachers Pay increases; Teachers Employer's Pension costs and Supplementary pension costs covered previously by separate Grants up to 2020/21</b>	£0.649m	£0.680m	+£0.031m
<b>Adjusted Baseline comparison</b>	<b>£36.210m</b>	<b>£39.705m</b>	<b>+£3.495m</b>
Import/Export of pupils between LA areas directly funded by the DfE - net adjustment to Sefton	£-0.246m	£-0.246m	+£0m
Less DfE deductions for Pre and Post 16 student places and others in Special Academies; Special AP; Colleges of FE etc directly funded by the ESFA	£-0.738m	£-0.738m	-£0m
<b>2021/22 Indicative High Needs funding before any contributions from Schools and Early Years</b>	<b>£35.226m</b>	<b>£38.721m</b>	<b>+£3.495m</b>
<b>ADDITIONAL SUPPORT FOR HIGH NEEDS IN 2021/22 &amp; 2022/23</b>			
Add - agreed Schools Block contribution for 2021/22 (agreed SF Nov 20 / SF Jan 21)	+£0.430m	+£0m	-£0.430m
Add – Supplementary funding agreed as part of the Oct 21 Spending Review (£1.6bn)	+£0m	*£1.478m	+£1.478m
<b>Total adjusted High Needs Funding excluding any Post 16 SEND Grant back to the LA for local Maint Special schools out of the deductions made above</b>	<b>£35.656m</b>	<b>£40.199m</b>	<b>+£4.543m</b>
<b>**Available for general HNs spending after taking out Special School and PRU Earmarked Pay and Pensions funding above</b>	<b>£35.007m</b>	<b>*£39.519m</b>	<b>+£4.512m</b>

- 3.7 As stated further reports will be brought to Cabinet on a quarterly basis by the Head of Education Excellence to provide Members with an update on the High Needs deficit position and the SEN Review work programme to reduce the financial pressures and meet the needs of SEND children in Sefton.