

Report to:	Cabinet	Date of Meeting:	6th April 2023
Subject:	High Needs Funding 2022-23 Quarterly Monitoring Update		
Report of:	Executive Director of Children's Social Care and Education	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Education		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

To inform Cabinet of:

1. The monitoring position of the High Needs budget position on the 1st of February 2023 as per previous agreement to provide regular updates.
 - The forecast expenditure to year end based on current / anticipated SEND support required during 2022/23.
 - Provisional High Need budget forecast for the 2023/24 financial year based on announced funding levels and estimated High Needs demands.
2. Update on the current SEN Review / Sufficiency Programme aimed at bringing High Needs expenditure pressures back into a more manageable financial position in the future.

Recommendation(s):

That Cabinet is requested to:

DSG – High Needs Budget

- 1) Note the current forecast position relating to the 2022/23 High Needs Budget.
- 2) Note the forecast accumulative deficit position of the High Needs Budget.
- 3) Note the provisional potential deficit position facing the 2023/24 High Needs Budget

Update on the 2022/23 SEN Review / Sufficiency Programme

- 4) Note the continuing work being undertaken through the SEN Review/ Sufficiency Programme and:
- 5) Note the capital projects raised in Section 5.4

Reasons for the Recommendation(s):

- 1) To provide an updated on the 2022/23 High Needs budget financial position.
- 2) To provide Members with a provisional update of the potential deficit budget forecast against the High Needs budget in 2023/24

- 3) To ensure that the SEND Review / Sufficiency programme can progress to provide sustainable and effective SEND support for Sefton pupils within the available resources allocated through the Dedicated Schools Grant – High Needs Block.

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

None

What will it cost and how will it be financed?

(A) Revenue Costs

The options considered in this report are investments in order to save higher expenditure in the future. This may, by necessity, lead to large increases to the High Needs accumulated deficit, already forecast to be in excess of £24m by the end of 2023/24. There are considerable risks posed by this which are further considered in the report.

(B) Capital Costs

All financial implications are contained within the current High Needs capital programme for 2022/23 and 2023/24.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): All implications are detailed in the report.	
Legal Implications:	
Equality Implications: There are no equality implications.	
Impact on Children and Young People: Yes All implications are detailed in the report with regards to the impact and risks associated.	
Climate Emergency Implications: The recommendations within this report will	
Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes

Contribution to the Council's Core Purpose:

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 Corporate Resources and Customer Services (FD7195/23) and Head of Regulation and Compliance (LD5395/23) 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

Contact Officer:	Tricia Davies
Telephone Number:	0151 934 3428
Email Address:	tricia.davies@sefton.gov.uk

Appendices:

None

Background Papers:

Council Report - High Needs Funding Update January 2022

High Needs Funding 2022-23 Quarterly Monitoring Update February 2022

High Need Monitoring Report – July 2022

High needs Monitoring Report – November 2022

1. Introduction/Background

- 1.1 This report provides an update on the continuing work in relation to the High Needs Funding Budget. It will cover the current and forecasted deficits and the work that is already underway and further work that is required to address this situation and bring expenditure back into line with the resources available. This will include further details in relation to support being provided to schools and the sufficiency plans for the Local Authority to ensure that there are an appropriate number of maintained specialist placements available to meet demand. This includes approved Capital investment agreed through the 2022/23 and 2023/24 High Needs Capital Programme. It will also provide an update in relation to progress with Sefton Council's participation in the Delivering Better Value in SEND Programme and the next steps to be taken.
- 1.2 Through the current High Needs review, a key feature already underway, was to develop a new funding model for High Needs (HN) placements that was transparent, right-sized Special School budgets and provided stability for in-house placements. In January 2022, Council approved the implementation of new High Needs funding model from April 2022.
- 1.3 Although the new funding model addressed the key actions required within the review, the cost of implementing a new funding mechanism increased the cost pressure on the HN Block by up £2m per year from 2022/23.
- 1.4 With a net deficit on High Needs already reaching towards £12m at January 2022 (2021/22), such a decision to invest at further cost to High Needs, was not taken lightly. However, the risk of not right-sizing the funding of the in-house Special schools; Resourced Units and AP may have led to these schools failing, with an inability to adequately continue to meet the growing demand in the Borough for SEN places. Such a failure would almost certainly lead to more SEN pupils being placed out of Borough at huge expense compared to an in-house placement. The decision was therefore considered to offer good value for money, with the added bonus for the SEN Team, of being able to work with the in-house provision to help expand these schools over time, as required, and as part of the HN review, whilst

also retaining their very good reputation.

- 15 The HN review also agreed the development of more in-house placements for children with EHCPs with more forward planning for sufficiency of places in order to reduce reliance on external placements. This is discussed later in the report. In addition, the last 12 months has been an expansion of group funding approaches across many schools. Such agreements also offer value for money by reducing the number of children requiring individual 1:1 support and by supporting SEN children through working in small, dedicated groups. As an example, the High Needs Funding would provide for the cost of a teacher whilst the school pays for a TA(s), which is cheaper than paying for each 1:1 requirement. This also saves the school having to meet the first £6k of each 1:1 child. This initiative has seen an increased take-up in 2022/23 with further mainstream schools engaging with the process. This report is also to provide Members with the current forecast year-end financial position for the High Needs budget for the 2022/23 financial year as of 1st February 2023 and to provide an early overview of the likely financial position on the High Needs in 2023/24, in the light of the funding allocations announced in December, although this starting position is still being reviewed and further updates will be provided to Members through the quarterly budget monitoring reports in 2023/24.
- 16 This report needs to be read in the context of the Delivering Better Value in SEND (DBV) Programme. Sefton is in tranche 2 of the Programme and has joined in January 2023. The DBV programme is intended to support Local Authorities having a significant deficit against their High Needs Budgets to be as effective and efficient as they can, to reduce spending to more manageable levels, and to get back within budget, through an approved action plan, over a 2–3-year period with support offered throughout from DfE and financial Advisors. Further information regarding the programme was provided to members in earlier monitoring reports and an update provided later in this report.
- 17 This report should also be read in the context of the SEND Green Paper Consultation, which proposed the concept of a national banding and funding framework to ensure consistency of placement costs across the entire country. The DfE has now published its response to the consultation feedback and has set out its intended approach in the document ‘Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan - Right Support, Right Place, Right Time’ This describes further the concept of developing the national banding and funding framework and delivering a sustainable funding model for Local Authorities. There is an initial intended timeframe around delivery of this and other objectives by 2025.
- 18 In this situation, the Council has 2 key objectives:
 - i) To provide a first-class service in accordance with best practice and government advice and support those who need it; and

- ii) To ensure that this service is financially sustainable, with the Council's annual expenditure being within government funding that is allocated and in addition repays the deficit owing.

2. Sefton's High Needs Funding / Budget position 2022/23

- 2.1 Despite the increased level of High Needs funding in 2022/23 (£4.3m) it has not been enough to meet continued demand and the additional cost pressures on High Needs this year. In fact, similar to the previous 4 years, Sefton's HN funding has largely played catch-up to service expenditure in a lagged fashion, and 2023/24 is also no exception.

The number of children being assessed and requiring support through an EHC continues to increase and during 2022/23 the number of EHC has increased by 19.95%. During 2022 an extra 532 children have been assessed as requiring an Education Health and Care Plan across the Borough.

- 2.2 The level of HN funding offered by the Government in recent years, despite adding extra supplementary grant towards cost pressures such as Pay and Inflation in 2022/23 and 2023/24, still does not offer sufficient resource to meet local growing demand for High Needs provision. In fact, much of the High Needs national formula allocations continues to be based on 'historic' demand data from 2018/19. Even those areas of the formula which do change for things like the 0-18 years population shifts and for other local health factors etc make little real difference to the funding level reflective of true demand. Thus, the funding allocations are not responsive to the larger increases in demand and no doubt, are driven by the amount of national funding available.

- 2.3 For Sefton, the funding shortfall each year is compounded on several fronts, not least by the increased reliance on out of Borough placements, where either the in house provision is not available to meet the needs of a child; where schools are not quite as inclusive as they might be to take a child- this may be a funding issue; or where there is a shortage of places; or in some instances, caused through parental pressure. Coupled with the investment referred to above to right size the Council's In-House provision in 2022/23, plus increasing inflationary pressures in the year; the development of group funding and with the increases in the number of EHCs, the updated forecast for the 2022/23 budget is currently a projected deficit of -£6 million. The situation also remains fluid, as more EHCP assessments are being agreed through the year, based on a significant number of outstanding cases now being agreed; along with new funding agreements, such as the development of group funding in schools, made between the SEN team and the schools concerned. Whilst these agreements represent cost avoidance in comparison to costs that would be in place had the pupils instead received 1:1 funding or independent placements, they still represent an increase on the burden of the High Needs Budget.

- 2.4 The above deficit forecast does not take account of any further increase in the number of pupils requiring SEND support in the last month of the current financial year, so £6m may be slightly exceeded by the end of March 2023.

- 2.5 An accumulative deficit position on the High Needs budget of £18.5m would

be reached should this position materialise. However, in mitigation to some degree, and in summary, the Council has, this year, embarked on a course of action to not only support the stability of its maintained special provision for future growth of in house places through an agreed £2m investment as mentioned above; but it has also been working actively with schools in developing small group funding SEN support, which is being widely welcomed; It has also been developing new SEN places in its Resourced Units and Special schools over the last 6 months, but there is more to do. It will continue to try to expand in house provision wherever possible over the next 2 to 3 years to try to reduce/ stem the need for expensive out of borough places, though this will take time to develop and start to make a difference; It has also actively increased classroom size for extra places across three schools by use of mobile units.

- 2.6 The SEN team and officers have continued to roll out the actions above, over this past 12 months, alongside supporting and challenging mainstream schools to be as inclusive as they can be, with the aim of reducing the need for as many specialist placement for children. These existing mitigations will be thoroughly analysed by the DBV Programme team to understand their long-term effects on forecasting. In response to initial feedback to the DBV team part of their focus is to look at short term 'quick wins' on financial spending as well as long term system change and their findings, through the examination of a range of statistical data and benchmarking supplied to them by Finance and the SEN team, along with their good practice case-studies, will help to inform and shape the longer-term actions required.

3. 2023/24 High Needs Budget – provisional estimated financial deficit

- 3.1 The Dedicated Schools Funding Allocations for 2023/24 as announced in December 2022 included a net increase of just £2.74m to the High Needs Block (following ESFA deductions for Independent Schools) increasing the High Needs budget for 2023/23 to £42,803,102 to meet high needs demand in the new financial year.

- 3.2 However, the Chancellor announced in the Autumn Statement, that there would be additional support to the Education sector (including High Needs) through a Supplementary Grant in 2023/24. This funding to be known as 'Mainstream Schools Additional Grant (MSAG)' was additional to the DSG announcements and was given, similar to an amount in 2022/23, to support increased cost pressures the sector was facing in the 2022/23 academic year due to current pay awards and price increases.

- 3.3 The overall 2023/24 MSAG Funding for Sefton is £8.643m and is split on an 80/20 basis between Schools and High Needs and so Sefton receives £6.817m for schools and £1.826m for High Needs increasing the overall funding to support High Needs in 2023/24 to £44,629,609. However, there are prescriptive requirements placed by the DfE around the use of the additional funding in 2023/24, and so it cannot be looked on as additional funding to support the existing deficit position on the High Needs Block. Much of it must be channelled to support special school provision.

- 34 The table below provides Members with an initial estimate of the financial forecast for the High Needs Budget in 2023/24

<u>Forecast HN Budget Position 2023/24i</u>	
HN (Net) Budget 2022/23	£40,057,156
Estimated Expenditure 2022/23	£46,057,156
Estimated Deficit 2022/23	-£6,000,000
<u>2023/24 Forecasts</u>	
HN (Net) Budget 2023/24 (Increase in funding £2,745,946)	£42,803,102
Mainstream Schools Additional Grant 2023/24 High Needs element (**Gov requirements on use of this funding)	£1,826,507
Total HN Funding 2023/24	£44,629,609
Starting Position - Assume Same Expenditure level as forecast for 2022/23 (i.e with no increase / decrease in demand or taking account of full-year of any increases in 2022/23)	£46,057,156
Opening and immediate shortfall Deficit Position 2023/24	-£1,427,547
<u>Known Additional Pressures that must be met in 2023/2024</u>	
3.4% Supplementary HN Grant Passport - **Gov Requirement	£728,522
Special School price/pay uplifts 2023/24 - full-year cost of additional places in 2022/23 plus any agreed new places Sept 2023	£1,723,569
School Resource Units price/pay uplifts 2023/24 - full-year cost of additional places in 2022/23 plus any agreed new places Sept 2023	£363,399
AP Schools price/pay uplifts 2023/24 - full-year cost of additional places in 2022/23 plus any agreed new places Sept 2023	£81,982
Primary School 1:1 Top-up funding Pay uplift / adjustment to pay and conditions	£1,007,898
Secondary School 1:1 Top-up funding Pay uplift / adjustment to pay and conditions	£627,767
OOB / Independent Placements - price uplifts 2023/24 (based on average 6.8% uplift – some providers are seeking higher price increases)	£601,670
Additional increases in Cost Pressures 2023/24	£5,134,806
Estimated Deficit 2023/24	-£6,562,353

<u>The above estimates do not include:</u>	
<i>Any increased demand other than 10 Primary Places and 24 special School Places built into HN capital programme</i>	
<i>No increases / decreases in 1:1 Support or new EHCs</i>	
<i>No new OOB Placements</i>	
<i>No increases in Post 16 HN numbers or increases in costs of Post 16 placements</i>	

- 35 As may be seen above, the Authority starts 2023/24, in an unfavourable position, whereby the level of funding identified for the new Financial Year does not cover the current year forecast spending level, and this will be compounded by the continuing need to expand in house places and all the measures discussed above, the positive impact of which, may not be felt for several years.
- 36 There would appear to be no obvious reduction in demand for EHCPs and places, but measures are in place to try to stem spending through invest to save measures, and to have more internal reviews and policing of HN funding with a view for example, to cease funding awards where these are no longer necessary. Two further trends however appear to be taking shape in HNs. An increase in the numbers of Early Years children being assessed for EHCPs where previously these have been relatively small; and a growing number of young people with EHCPs moving on to post 16-25 Education. The Early Years element will in part be the impact of post-Covid recovery, where those children who did not attend nursery during the Covid-impacted years are now at the age of starting reception in school, without having had the formative years of socialisation and early learning that nursery settings provide, as well as increased early identification of needs. With post-16 pupils there is again a post-Covid impact where an increased number of pupils in high school have received EHC Plans post-Covid due to Social, Emotional and Mental Health Needs, and these pupils are now filtering through into the Post-16 world. These are factors it is very difficult to control. However, through careful engagement with parents and carers it may be possible to take smaller interventions at an earlier age for young children; whilst encouraging young people to be more independent and moving into employment after leaving school.
- 37 Ongoing placements of children to out of Borough always creates additional cost where a child is not or cannot be accommodated in-house. Such placements should be occasional and not the norm, and this will require investment of work with parents and with mainstream schools to increase parental confidence in mainstream inclusion and to support the schools with appropriate training and resourcing to ensure children and young people stay in mainstream provision where this is appropriate and they are able to thrive. However, many mainstream schools themselves are finding it increasingly difficult to find the funding to manage the first £6k of cost for the growing numbers of SEN children referred to them and sometimes they have refused to take them, leaving an external placement out of Borough as being highly likely. Levels of inclusion also varies across the mainstream

schools, with some schools having high levels of SEN in their cohort and other having significantly less. This requires further support and challenge as previously referred to.

- 38 Inflation is also playing its part to increasing cost pressures across HN with Pay costs running at an average 5.7% in 2022; and price Inflation at just over 10%. Funding cannot match these increases. The latter adversely affects the out of Borough placement costs, and careful procurement through the NW SEN framework is being sought.
- 39 Whilst every effort can and is being made to try to curtail HN spending in 2023/24, and ongoing, the Authority could well be faced with an unpalatable HN deficit of over £24m-£30m by the end 2023/24. This may continue to get worse if the situation cannot start to be contained and particularly with anticipated smaller DSG settlements from the Treasury forecasts in 2024/25, unless the Government's own findings and development of the Green Paper can find a way forward to start to plug the funding gap, which nationally, grows exponentially every year.
- 3.10 The work of the DBV Programme will be instrumental in determining whether Sefton's actions to curtail spending are appropriate and the right ones and whether further areas of focus should be included.
- 3.11 The seriousness of having such large levels of overspending on High Needs and the possibility of even higher levels of accumulated deficit balances should not be underestimated. The DLUHC, in conjunction with CIPFA, have recently extended the funding override rules governing the accountability for DSG deficits by three years, covering 2023/24 to 2025/26. Under these rules such balances remain only to be carried forward as unusable reserves, and to be reduced by the LA through necessary actions, without them falling directly against the LA's own resources.
- 3.12 At the end of 2021/22 there was accumulated deficits nationally on high needs budgets of £1.4bn. It is estimated that if other local authorities have similar issues to sefton this will increase substantially by 2026. The key risk to the council is what central government then decide to do in respect of these deficits. The statutory override cannot be maintained indefinitely, and it is doubtful that the sector has this funding in reserves that it can use to fund it. Within Sefton, this is also the case. The council does not have reserves at a level that could repay this deficit not at the end of 22/23 and certainly with annual increases of £5m+.
- 3.13 Similarly with such annual increases, additional budget provision cannot be realistically set aside. As a result, the council has always maintained that this is a DSG issue build up over the last decade and should always be treated as such and should never become an issue for the general fund. Any long-term funding solutions that reflect a new system that is fully funded based on actual demand, should be supported by either deficits being written off or funded by the DSG over the long term. This however is a major risk to the financial sustainability of this council as this level of deficit cannot be met should the direction be post 2026 that deficits should be met by the general fund.

4. Mainstream support – Current position

4.1 The planned implementation date for a new mainstream HNF model is from the start of the new academic year in September 2023. This area is part of the focus of analysis through the DBV Programme and will be considered before implementation takes effect. Further updates on the progress of this work will be provided in future quarterly reports to Cabinet.

5. Specialist Placements, sufficiency proposed and current projects

5.1 As described previous Quarterly Reports, part of the strains placed upon the High Needs Budget originate from the cost of Independent out of Borough specialist placements, the majority of which have been due to a lack of sufficient maintained places within Sefton special schools and resourced provisions. This lack of spaces has resulted from the significantly increased number of EHC Assessments and resulting EHC Plans that have been processed over the past 7 years since the Children and Families Act 2014 came into force.

5.2 In previous Quarterly Reports Cabinet have approved a number of Capital projects as part of the recommendations to address current and future placement sufficiency concerns for specialist and resourced school provision.

5.3 Progress on previously agreed elements is set out below:

Name of Setting	Area of Need	Update	Impact
Redgate Primary School	Complex Learning Difficulties (CLD)	Building work underway to be completed for Easter 2023	Additional class of 8 places created enabling pupils to be kept in LA provision. Annual cost of £110,574 in LA provision against at least £400,000 in Independent provision. Cost avoidance of £289,426.
Newfield	Social Emotional Mental Health	Work underway with former St Teresa's site.	Additional 28 places created. Based on average split of top

	(SEMH)	Building to be ready for school to move pupils in from Sept 2023	2 banding levels annual cost of £676,942 in LA provision against at least £1.4 million in Independent provision. Cost avoidance of £723,058
Formby High	Cognition and Learning	School have submitted relevant planning permission application to Sefton Council for approval. Anticipated completion by September 2024 at latest.	Additional 40 places to be created. Annual cost of £552,870 in LA provision against at least £2 million in Independent provision. Cost avoidance of £1,447,130.

5.4 In response to sufficiency planning there are a number of new projects that will require Cabinet Member for Education approval to enable capital projects to take place between now and September 2023, as well as others that may extend beyond this. Details of these elements are available in the table below:

Date	Name of setting	Area of need	Number of places created	Purpose	Amount
Sept 2023	Waterloo Primary	ASD Base	8	Relocate toilets and extend ASD base into area to create additional class	£240,000
Sept 2023	Waterloo Primary	Mainstream	N/A	Basic skills classroom KS2 – enables the mainstream part of the school to be more inclusive, preventing further EHC Assessment requests	£50,000

Sept 2023	Marshside Primary	Mainstream	N/A	New ASD Classroom – Marshside currently have group funding in place to support a small group of Reception aged pupils who would have required specialist provision without this. This cohort need a space to move into as a new cohort arrives into Reception in September.	£350,000
Sept 2023	Redgate Primary	Complex Learning Difficulties	N/A	Outdoor Play Area for Base provision. This is in need of improvement to ensure appropriate equipment to meet the children's needs	£55,000
Sept 2023	Bishop David Sheppard	Autistic Spectrum Disorder	16	Internal alterations and extension to create 2 base classes	TBC
Sept 2023	Lydiate Primary	Autistic Spectrum Disorder	TBC	Re-commission first floor classrooms to enable base provision	£25,000
Sept 2023	Thomas Grey	Autistic Spectrum Disorder	38	Mobile classroom and internal alteration to create 4 base classes	TBC
Sept 2023	Holy Family High	Cognition and Learning	40 (phased over 2 years)	Provision of a mobile classroom and internal alterations	TBC

- 5.5 The above projects are planned to contribute to the sufficiency of High Needs in-house places to meet anticipated growth in local demand over the next few years. Most of the capital investment identified above, lies across a range of proven and very successful High Needs provision both at Primary and Secondary level offering an expansion of places across the Special schools and Resourced Units, with three new base units in primary coming on-stream at Bishop David Sheppard; Thomas Gray (offering an extra 54 places) and Lydiate Primary potentially offering a further 8 yet to be decided – so potentially an extra 62 places (subject to successful completion of works by September 2023). In addition, there is a planned increase in places at two long established Resourced Units, Waterloo and Redgate offering a further 16 places. This gives an overall potential increase in places available at Primary age of 78. In addition, the investment includes two areas of Mainstream provision, which attracts High Needs SEN Inclusion funding, namely extra classroom facilities at Waterloo and Marshside Primary schools. This will mean they will have the ability to operate group provision for children in the school. Group funding is a way to keep costs down for the school in meeting the first £6k per child to fund a teaching assistant and the LA in supporting the cost of a teacher is considerably cheaper than paying for expensive 1:1 support or specialist provision for every child. The extra classroom at Marshside will enable them to continue to provide support for a complex cohort of children with ASD that came to Reception this academic year and will require ongoing provision to enable them to continue there. The work at Waterloo will enable the school to maintain more pupils at the SEN Support stage rather than requiring them to request further EHC Plans for those children and thus avoid further demand on the EHC element.
- 5.6 Expansion across another site is also underway for Newfield special school through the re-purposing of the former St Teresa's school building, which closed in August 2021. This facility will provide 28 new places primarily for younger children who have Social, Emotional and Mental Health issues.
- 5.7 For Secondary provision, a new Resourced Unit is planned at Formby High Academy school, and this will be a 40 placed unit once established. This is unlikely to come on-stream before September 2024 due to seeking necessary planning permission. A similar base at Holy Family High will also produce a further 40 resourced places over the next 2 years.
- 5.8 As may be seen above, the capital investment in the expansion of new places is a key part of the long-term strategy to develop sufficiency across the Borough. On the basis that the number of new places is achieved from September this year a summary of potential costs to High Needs is identified below. The forecast shown above for 2023/24 includes anticipated part year costs already for 28 Special school places and 10 Primary places leaving potentially a further 142 places to be funded including 2 potential new group funding elements including new Resourced Units at Formby High School and Holy Family High School (part year 24/25).
- 5.9 The additional revenue costs to High Needs identified above, need to be tempered against the gradual reduction in the need for out of Borough

placements, keeping these to a minimum over the next few years and beyond. As the reliance on placements at these schools starts to fall, and as long-term pupils start to leave these schools costs should start to drop in this budget area, where current levels of overspending are exceeding £2.7m pa. In house places are considerably cheaper on average than external placements. Typically, an external placement can average £50k - £60k per child pa, whilst a typical placement in a Resourced Unit can be £13,821.75 Per child pa or in local Special provision between £15,835 and £27,225 p child pa. Similarly, the cost paying towards group funding for mainstream is cheaper than many 1:1 s for every child.

5.10 It is difficult to assess the effects on the HN spending, though this strategy is considered the right one, but any delays or inaction to the creation and expansion of in-house places could be considerably more expensive if not planned for and made available in advance of an upcoming Academic Year for placements. The effects of inflation and ongoing SEN support in schools will inevitably continue at a growing rate and coupled with smaller future DSG HN settlements from 2024/25 the HN deficit may continue to grow before levelling off when sufficiency is being met.

Further updates will be provided as projects proceed.

6. Future Project Planning and Delivering Better Value in SEND Programme

- 6.1 An external consultant has helped support the development of a sufficiency plan, and officers are in the process of discussions with several schools and with asset management to consider the better use of our current stock. It is proposed that further considerations for expanding special school places and resourced unit places will be implemented from 2024 and we will provide a further update on proposals at the next quarterly report (June 2023).
- 6.2 Sufficiency of affordable maintained places is a key driver in the Council's strategy to control High Needs spending and ensuring that every child with special needs who requires specialist provision is receiving the best possible education in facilities that are outstanding and fit for purpose.
- 6.3 The findings of the consultant thus far, adds weight to the direction of travel towards greater sufficiency of places, given the high quality of the provision that currently exists in Sefton and the chances of expanding this provision given a suitable capital injection of funding for the development of these schools across a range of available sites in the future.
- 6.4 It is considered that a reduction to the number of external placements in Independent schools is possible over time, and keeping these places to a minimum for the most exceptional cases, will be the way forward.

- 6.5 The DBV Programme is now reaching the end of the first module of data analysis work, whereby the financial consultancy firm Newton Europe, have analysed the initial data provided to them by the Local Authority to enable them to create detailed unmitigated forecasts and to identify key areas of interest that will be examined in greater detail in Module 2 which examines root causes of trends. The timeframe placed around the DBV programme is an expectation that we will complete Module 3 and be in a position to submit an Implementation Plan to the DfE by June/July 2023. This Implementation Plan will be in response to the full findings of the detailed analysis carried out and will provide a clear plan to address sustainability for High Needs Funding. In response to feedback from the Local Authority at the initial briefing session, the DBV Team have been clear that they will be focussing on short term responses that will generate 'quick wins' as well as longer term system changes. As part of the submission of the Implementation Plan the Local Authority will submit a bid for up to £1 million of funding to enable delivery of the Implementation Plan. This cannot be spent on Capital work or directly used to offset part of the deficit, it must be seen to produce sustainability and must be spent within a 2-year period. It is intended to support the Local Authority through providing additionality during that period of change and implementation.
- 6.6 All current mitigations such as group funding, mainstream inclusion and specialist Capital works are all factored in to the DBV analytics as will the proposed plans for sufficiency moving forwards to ensure that all relevant factors are fully considered when creating the Implementation Plan. This will be shared with Cabinet in the appropriate future report.

7. Monitoring and Review

- 7.1 The progress in relation to sufficiency, mainstream inclusion and the impact on the High Needs Budget will be monitored through existing management reporting processes. Service Managers for SEND and Inclusion will report to the Assistant Director for Education who in turn will ensure regular reporting to ELT and Cabinet. A quarterly report to Cabinet is already agreed to be in place and will continue to provide a mechanism to ensure that the Leaders of the Council remain fully informed.
- 7.2 The Service Manager for SEND and the Assistant Director for Education meet on a weekly basis to review HNF requests over £20,000, mainly out of borough requests.
- 7.3 A clear governance structure will be established to ensure monitoring and review of the Implementation Plan that will result from the DBV Programme. This will ensure reporting to the appropriate Officers and Boards and hold that programme to account.
- 7.4 Given the high profile and clear significant risk attached to the SEND agenda, including the High Needs Funding Budget and the pending SEND

Local Area Ofsted Inspection, initial discussions are underway with the Interim Director of Children's Services for potential options, responding to the recommendations in the DfE document 'High needs budgets: effective management in local authorities' published in June 2022, which presents findings from the initial work nationally in relation to managing High Needs Funding Budget Deficits and makes 10 key recommendations for Local Authorities to consider, one of which is that 'Local authorities should invest properly in SEND leadership, with dedicated time for strategic functions to avoid constant distractions from operational pressures'.

8 What will success look like?

8.1 As previously stated in Section 1.11, in this situation the Council has 2 objectives:

- i) To provide a first-class service in accordance with best practice and government advice and support those who need it; and
- ii) To ensure that this service is financially sustainable, with the Council's annual expenditure being within government funding that is allocated and in addition repays the deficit owing.

8.2 To fulfil these objectives, success will look like as set out below:

- Children and young people are supported within their local area and good outcomes are demonstrated. Pupils are well supported within their local mainstream school where appropriate and there is a quality offer of support available for pupils and settings.
- The group funding model is utilised by an increasing number of schools to reduce the need for reliance on 1:1 support, thereby improving provision and outcomes for those children and as an additional success factor, reducing the overall burden on the High Needs Budget.
- As a result of increased inclusion within mainstream and the creation of further maintained specialist placements, Sefton Council will have enough maintained specialist SEN placements available that are appropriate to meet the demands for specialist provision based on current and forecasted numbers.
- Such placements will be appropriately resourced to enable children and young people to be successfully supported within Sefton's own schools and providers, reducing the demand for more expensive, independent out of borough provisions.
- There is a reduction of pressure on the High Needs Budget with the Council moving to a position of financial sustainability and being able to live within the set budget year on year. It should be noted that the move to financial sustainability will take a period to take effect. Increasing inclusive practice within mainstream settings will include changes to culture and practice which can take a period of years to take full effect for the difference to be felt in terms of the numbers

remaining within mainstream and not requiring specialist placements.

- Initial investment into additional maintained special school places will also increase the pressure on the High Needs Budget in the short term. However, this increase will be much smaller than if those places had instead been allocated to independent settings.
- Similarly, when High Needs Funding becomes available before an EHC Plan, there will be an initial surge in mainstream schools applying for the funding as it becomes available and there will be an increase again in funding allocated to mainstreams pre-EHC Plan. However, over a period of 12-18 months there should then be a decrease in the amount of funding with EHC Plans in mainstream as more pupils had had their needs met at an earlier stage in the process. This should then also produce a plateau in the numbers of children requiring specialist provision rather than the year on year increases currently being seen.
- As increasing numbers of children remain within the maintained mainstream and specialist sectors over the years and the number moving to independent places reduces, then the pressure on the High Needs Budget will start to reduce, moving to a position of financial sustainability at the end of that cycle.

8.3 This paper and previous Quarterly Reports therefore sets out the strategic approach to meeting the sufficiency requirement and how these plans provide better value for money and are cheaper than external provision which would be the only option should these proposals not take place. Having provided members with visibility on these, this strategic approach has been shared with the Delivering Better Value Programme and any further proposals will be developed that can support the council's stated objectives as part of the Implementation Plan.

8.4 In addition, following this Programme, a detailed 5-year budget forecast will be developed that will outline the forecast annual position and impact on the high needs budget deficit and this will be reported in the next cycle. The aim of the Delivering Better Value Programme is to get to a break-even position in 3-5 years but with a focus on some shorter-term objectives as well. When the next report to Cabinet is submitted in July the Council will be in a position to provide a 3-year forecast of spend against assumed central government funding based on demand data, historical information, the interventions in this report and the outcomes from the Delivering Better Value Programme. This will provide a forecasted position up to and beyond 2026.

8.5 Members will recall through previous budget reports and reports on High Needs Funding that clarity has been sought from Central government over a number of years as to how High Needs Deficits should be treated by councils. The fact that deficits exist and that a number of councils are on the DFE Safety Valve project (for those councils with the highest deficits) and one third of councils in England are working with the Delivering Better Value Programme (for those with substantial deficits) reflects the scale of the financial problem. Firm guidance has yet to be provided as to how these

deficits should be treated and how they should be 'paid back' or 'met'.

- 8.6 The proposals contained within this report will further improve the system that impacts the High Needs Budget and over time will lead to financial sustainability. It has been agreed in late 2022 by Government Ministers, that Councils will continue to have protection from having to fund their DSG High Needs deficits out of their core balances for a further 3 financial years 2023/24 – 2025/26, but it is not expected to be extended beyond this period. Therefore, anything the Council can do to prevent High Needs spending from adding to the already substantial accumulated deficit (£18.5m forecast end of 22/23) must be considered.

9 Risk of taking no action

- 9.1 As part of this report, Cabinet is asked to note the approval of the capital schemes contained within the Table above at section 5.4. Should the decision be taken not to approve these schemes there are several risks which should be fully considered by Members.
- 9.2 The paramount risk to preventing an expansion of places through capital spending, is the loss of learning for children and young people. There are currently not enough spaces locally both within maintained and independent provision for pupils and this could result in a number of children out of school.
- 9.3 Having pupils either out of school or inappropriately placed could have a huge impact on the council's reputation with large amounts of tribunals, complaints and risk of press involvement.
- 9.4 If the recommendations to approve the Capital schemes is not approved there is also a risk of council services being unable to meet their own aims and objectives in relation to supporting children and young people in their local settings, and in being unable to meet the proposed aims and objectives set out in the SEND Green Paper.
- 9.5 Financially, the risk of no action means that children and young people will continue to require large numbers of places in specialist provision. If no maintained provision is created and if spaces are available in independent provision, then the LA would have no choice but to place children in these settings. A placement in an independent provision for 1 year can range from £27,500 to over £100,000, with the average currently approximately £53,000 per year. This would be at an additional cost of over £8 million per year given the number of anticipated new places required over the next 12-18 months. This would add to the annual budget deficit, in turn meaning that the Council will not reach a position of financial sustainability for its High Needs Budget. This in turn could compromise the overall financial management of the Council.

10 Next Steps

- 10.1 The LA commenced engagement with the Delivering Better Value Programme team in January of 2023. Module 1 of this is now near to completion with feedback to all relevant stakeholders taking place over the next few weeks. Module 2 is due to commence in April to examine the root cause analysis of the financial trends that are identified from Module 1. Module 3 then commences in May to work to the development and submission of the Implementation Plan and bid for up to £1 million of funding to support delivery of the Plan. A further update will be provided in the June report.
- 10.2 The DBV Programme team consists of Newton Europe and CIPFA, commissioned by the DfE as experts in the field of High Needs and able to offer analysis of the LA s HNs data, both spending and case numbers, and to help identify where the pressure points exist from areas of growing EHCPs to support for SEN inclusion in mainstream; as well as examining the processes adopted by the LA in managing assessments ; review of cases and areas of weakness which can be improved through developing best practice. They will look for a whole view of the processes, including discussion with all stakeholders, and they will assess what the Authority has already done to make improvements and cost efficiencies and whether its current plans of action are in line with DfE expectations.
- 10.3 Their role will not be to dictate to the LA what it should be doing but they will be there to offer best practice and practical guidance, as necessary, to ensure the approach taken is the right one. Once the period of initial assessment is concluded and the LA s action plan is endorsed in line with requirements, the Programme team will allow the LA to continue uninterrupted, to develop and implement its plans with periodic feedback. The approach taken is not over-prescriptive, neither is it mandatory, unlike for those LA s who are enrolled onto the DfE's 'Safety-Valve' mechanism; and neither does it involve punitive action, should the Council's plans fail to provide the desired outcomes. Milestones may be included in the plans to keep them from straying and these will support the sustainability forecasts for growing SEN places over the next few years. For extra support through the Programme, a small fund of £55m is held by the DfE to enable LA s to bid for funding to help deliver its action plans and this would be considered. However, no funding is on offer towards reducing the overall level of HNs deficit balances.
- 10.4 The consultant that looked independently at Sefton's HNF suggested that any effect on reducing HN costs will possibly take many years, potentially 4 to 5 years as new places and practices are invested in, and come into play, and we may finally reach a peak to the demand for SEN places across all age groups. This time-period of 3-5 years was also discussed by the DBV Programme at the initial briefing session. However, the Council has requested that due to the scale and seriousness of the deficit that every option to reduce expenditure be explored and ambition increased in the

timescales. As such the DBV programme will also be strongly considering all short-term and radical impact options in addition to its usual longer-term approach it is adopting with other Councils.

- 10.5 Data systems continue to be developed and a full quotation of costs from Capita team is imminent together with the expected implementation date. This development should facilitate better quality data across HNs which in turn should aid decision making.