

Report to:	Cabinet Council	Date of Meeting:	Thursday 27 July 2023 Thursday 14 September 2023
Subject:	High Needs Funding 2023/24 Quarterly Monitoring Update		
Report of:	Assistant Director of Children's Services (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 July 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 including the outcomes from the work to date on the national Delivering Better Value Programme

Recommendation(s):

That Cabinet and Council is requested to

DSG – High Needs Budget

1. Note the current forecast position relating to the 2023/24 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 SEN Review / Sufficiency Programme

4. Note the outcomes from the Delivering Better Value Programme
5. Note the continuing work being undertaken through the SEN Review/ Sufficiency Programme

Reasons for the Recommendation(s):

- 1) To provide an updated on the 2023/24 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)

N/A

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.

The report provides details from the Delivering Better Value programme and suggests that without mitigation the council could have a deficit balance within its DSG of over £100m by 2028. This is 2 years after the current statutory override that is in place at this time is due to come to an end/ be reviewed. As has been reported previously these numbers are not unique to the council but represent a real threat to financial sustainability as it is clear that such sums cannot be directed to such an annual or cumulative deficit. As such, lobbying will take place between officers and members with central government with a view to helping develop options to be considered at 2026. It has been reported that these DSG deficit balances amount to £2.1bn at the end of 2021/22 and were rising at £0.4bn per year in the sector. If the Sefton forecast figures are replicated across the sector this will increase exponentially.

It should be noted however that the council maintains that this is DSG issue and not one for the general fund and will continue to present that case and plans within the report will mitigate some of the increases but with the scale of the challenge will not meet this in full. Upon completion of the DBV work a full analysis of the financial issues and implications will be reported to cabinet and council as part of this quarterly reporting cycle.

(B) Capital Costs

All current financial implications are contained within the current High Needs

capital programme for 2022/23 and 2023/24. Future Capital costs are to be determined through the Working Group and will be presented to a future Cabinet meeting.

Implications of the Proposals:

<p>Resource Implications (Financial, IT, Staffing and Assets): All implications are detailed in the report.</p>									
<p>Legal Implications:</p>									
<p>Equality Implications: There are no equality implications</p>									
<p>Impact on Children and Young People: Yes All implications are detailed in the report with regards to the impact and risks associated</p>									
<p>Climate Emergency Implications:</p> <p>The recommendations within this report will</p> <table border="1"> <tr> <td>Have a positive impact</td> <td>No</td> </tr> <tr> <td>Have a neutral impact</td> <td>Yes</td> </tr> <tr> <td>Have a negative impact</td> <td>No</td> </tr> <tr> <td>The Author has undertaken the Climate Emergency training for report authors</td> <td>Yes</td> </tr> </table>		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
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Have a negative impact	No								
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Contribution to the Council's Core Purpose:

<p>Protect the most vulnerable: allows a Sefton wide focus on educational support for children with SEND</p>
<p>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</p>
<p>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</p>
<p>Place – leadership and influencer: Proposals set out the road map for greater local control of SEN demand / provision by the Council</p>
<p>Drivers of change and reform: Proposals allow for a Sefton wide focus on educational inequalities in provision for children with SEND</p>
<p>Facilitate sustainable economic prosperity: Proposals allow for a broader financial</p>

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 7313/23) and the Chief Legal and Democratic Officer (LD 5513/23) 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

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Appendices:

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
- High Needs Monitoring Report – February 2023
- High Needs Monitoring Report – April 2023

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 and future plans for Capital investment. It will also provide an update in relation to latest outcomes with Sefton Council's participation in the Delivering Better Value in SEND Programme and the next steps to be taken.

- 12 Previous quarterly reports to Cabinet have already provided updates in relation to activities already undertaken, including the right-sizing of Special School budgets and the implementation of a new High Needs funding model for special schools and resourced provisions from April 2022. This rightsizing, while addressing the key actions required, resulted in an increased cost pressure of £2 million per year on the High Needs block from 2022/23. This decision was felt justified against the risk of not right-sizing the funding and potentially leading to the schools failing and more pupils with SEND being placed out of borough in high-cost independent settings and thus incurring substantial additional costs.
- 13 Previous quarterly updates have also detailed work in relation to creating more placements for children with Education, Health and Care Plans (EHCPs) in maintained special schools and also the introduction of group funding approaches to meeting needs in mainstream schools in Sefton. These are both discussed further later in this report.
- 14 This report will also set out the latest progress in relation to Sefton's involvement in the Delivering Better Value in SEND (DBV) Programme. Sefton is in tranche 2 of the Programme and which started in January 2023. The DBV programme previously stated its intention 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. Progress in this programme including unmitigated financial forecasts and opportunities for mitigations presented by the programme are set out later in this report
- 15 As with previous quarterly reports, 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 published its response to the consultation feedback earlier in 2023 and 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.
- 16 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 2023/34

- 21 The accumulative High Needs Budget deficit as at 31st March 2023 has now risen to £18.2m.
- 22 The High Needs funding allocation to Sefton has been increased by a further net £2.700m in 2023/24, and by supplementary funding of £1.826m announced in the Autumn Budget announcement in November 2022. However, the initial financial forecast for 2023/24 is estimating an increased overspend position of anywhere between £6m - 10m depending upon demand for additional SEN support throughout 2023/24.
- 23 Officers also sought agreement from all primary and secondary schools to allocate 0.5% (£0.981m) of their Block funding in support of schools with high numbers of pupils in receipt of High Needs funding from the Council. Although this was agreed by the Schools' Forum, the funding is ringfenced and earmarked to support meeting the first £6,000 of SEN support for pupils in receipt of High Needs funding agreements over an agreed threshold at each school. The funding cannot be used more widely to support other High Needs pressures.
- 24 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 2023/24</u>	
<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>	

- 25 Despite the increased level of High Needs funding in 2023/24 it continues to not be enough to meet demand and the additional cost pressures on High Needs this year. As with the previous 4 years, Sefton's High Needs funding increase has lagged behind service expenditure and rising demand.
- 26 The number of children with EHCPs in Sefton has increased from 1765 at the start of 2020 to 2563 at the start of 2023 (based on national statistical returns) and currently sits at 2857 at the end of June 2023. The number of EHCPs written by the SEN Team has also increased significantly increasing from 322 in the calendar year 2021 and 389 in the calendar year 2022 to 346 completed in the first 6 months of 2023 to the end of June.
- 27 As a result, the level of High Needs 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. Much of the High Needs national formula allocations continue 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.

- 28 For Sefton, the funding shortfall each year is compounded on several fronts, including by the increased reliance on Independent placements, where either most usually there is not sufficient capacity in maintained special school provision to provide a place for a child; where a child's needs are too complex to be met within maintained provision; or in some instances, caused through parental pressure. Inconsistent application of the Graduated Approach to meeting need in mainstream schools has also potentially resulted in increased demand for special school places, resulting in further placements in Independent settings.
- 29 The situation also remains fluid, with the rate of new EHC Assessment requests remaining consistently high, resulting in a continued rise in EHC Plans. New funding agreements also continue to be put in place, either for individual pupils or groups of pupils. Whilst group agreements represent mitigation or 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.
- 2.9 The work that has already been undertaken to create cost mitigations is set out further in the sections below, along with the wider plans to put more mitigations in place over the coming months and years including the planned workstreams from the DBV Programme.
- 210 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.
- 211 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+.
- 212 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.

Mitigations undertaken by the Council since 2019/20 to reduce the financial commitments against the High Needs Budget from increasing SEN pressures.

3. Creation of additional in-house specialist SEN places

- 31 Since 2019/20 the Council has attempted to create new in-house SEN resources to meet the increasing demand for children and young people requiring more intensive / specialist SEN support which cannot be met in mainstream school settings and so reduce the reliance on having to send children to more expensive out of borough independent school settings.
- 32 It is only since 2022/23 that the Council has been provided with any level of High Needs capital funding from the Government to support making any significant investment in the creation of new SEN provision. However, prior to receiving any capital funding to support the current 2022 – 2024 High Needs capital programme the Council has been able to create, with support from the primary schools, several new Resource Bases utilising vacant classrooms at a few school sites.
- 33 Through the current High Needs High Needs capital programme, the Council has been able to accelerate the creation of new SEN places in the Special School and in both the Primary and Secondary School sectors as well as enhancing existing school sites so that more children can be supported in mainstream settings rather than specialist provision.
- 34 By September 2024 the Council will increased the number of SEN Resource Unit places in the primary and secondary school sector by 175 and will have created 250 new places in the special school sector.
- 35 The creation of the additional Resource Unit provision has reduced the cost to the High Needs budget by £1.5m per annum compared to having to place children in special school places and by nearly £6m compared to placements in independent schools (this does not include savings to transport budget which is outside of the High Needs budget commitments)
- 36 The table below provides an overview of the mitigation savings that have been made to reduce High Needs costs through the creation of new Resource Unit places since 2019/20

	Increases	Increases	Increases	Increases	Increases	Increases	Increases
Resource Unit Provision	2019	2020	2021	2022	2023	2024	2025
+20 Sept 2019	11.67	20.00	20.00	20.00	20.00	20.00	20.00
+4 April 2020		4.00	4.00	4.00	4.00	4.00	4.00
+18 Sept 2020		10.50	18.00	18.00	18.00	18.00	18.00
+12 April 2021			17.00	17.00	17.00	17.00	17.00
-10 Sept 2021			-5.83	-10.00	-10.00	-10.00	-10.00
+8 Jan 2022			2.00	8.00	8.00	8.00	8.00
+72 Sept 23					42.00	72.00	72.00
+32 Jan 24					8.00	32.00	32.00
+ 14Sept 24						8.17	14.00
Increase in Provision	11.67	34.50	55.17	57.00	107.00	169.17	175.00
Avg Cost @ Resource Unit	£11,068.17	£10,640.06	£12,153.69	£11,207.17	£12,542.76	£12,542.76	£12,542.76
Avg Cost @ Special School	£19,983.66	£20,665.01	£21,914.11	£19,140.62	£21,359.74	£21,359.74	£21,359.74
Avg Cost @ Independent Sch	£37,057.78	£37,829.67	£40,839.10	£43,789.90	£47,836.73	£47,836.73	£47,836.73
Mitigating Saving v Spec	-£104,014.09	-£345,860.57	-£538,449.69	-£452,206.81	-£943,417.40	-£1,491,539.97	-£1,542,972.38
Mitigating Saving v Indep	-£303,212.14	-£938,041.44	-£1,582,478.09	-£1,857,215.68	-£3,776,455.56	-£5,970,564.48	-£6,176,446.02

3.7 The creation of 250 new in-house special school places has also provided mitigation savings of over £6.5m on an annual basis compared to having to send children out to independent schools.

3.8 The table below provides an overview of the mitigation savings that have been made to reduce High Needs costs through the creation of new special school places since 2019/20

	Increases	Increases	Increases	Increases	Increases	Increases	Increases
Special School Provision	2019	2020	2021	2022	2023	2024	2025
+ 1 April 2019	1.00	1.00	1.00	1.00	1.00	1.00	1.00
+ 22 Sep 2019	12.83	22.00	22.00	22.00	22.00	22.00	22.00
+ 11 April 2020		11.00	11.00	11.00	11.00	11.00	11.00
+ 14 Sep 2020		8.17	14.00	14.00	14.00	14.00	14.00
+ 11 April 2021			11.00	11.00	11.00	11.00	11.00
+ 24 Sep 2021			14.00	24.00	24.00	24.00	24.00
+ 85 April 2022				85.00	85.00	85.00	85.00
+ 39 Sep 2022				22.75	39.00	39.00	39.00
+ 9 Jan 2023					2.25	9.00	9.00
+ 6 Sep 2023					3.50	6.00	6.00
+ 28 Sep 2023					16.33	28.00	28.00
Increase in Provision	13.83	42.17	73.00	190.75	229.08	250.00	250.00
Avg Cost Special School	£19,983.66	£20,665.01	£21,914.11	£19,140.62	£21,359.74	£21,359.74	£21,359.74
Avg Cost Independent	£37,057.78	£37,829.67	£40,839.10	£43,789.90	£47,836.73	£47,836.73	£47,836.73
Mitigating Saving v Indep	-£236,191.98	-£723,776.62	-£1,381,523.98	-£4,701,849.87	-£6,065,437.63	-£6,619,248.05	-£6,619,248.05

3.9 Although the Council has created the above increases in in-house SEN places the number of children requiring Special SEN places continues to outstrip places requiring more and more children to be placed in, more expensive, independent school settings.

4. Group Funding Arrangements in Mainstream Schools

4.1 As stated earlier in the report the number of children in receipt of High Needs funding support, either through EHC plans or High Needs funding agreements, continues to grow exponentially. Historically SEN provision for

these children has been through the use of additional Teaching Assistants to provide 1:1 support in a classroom, often working with the child throughout their entire school day. However, national studies have shown that the impact of 1:1 teaching assistants on the outcomes for children with SEND is inconsistent and does not necessarily promote the acquisition of greater independence in learning. Children are then also often supported for their entire day by that staff member, rather than receiving more input from a higher skilled teacher in the classroom. The growing number of pupils requiring higher levels of support has led to classrooms increasingly crowded by adults and schools struggling to recruit to the number of teaching assistant posts they require.

- 42 Over the past 18 months staff within the SEN and Inclusion Services have been working with mainstream schools to develop group approaches to meeting the needs of their children with SEND. This more flexible approach to meeting need has enabled schools to adapt the provision they put into place to meet the needs of the specific cohorts of children that they have with different provision put in place to meet the context of each individual school and the children they support. For one school this might be supporting a group of 8 with a teacher and teaching assistant. For another, it might be using a Higher-Level Teaching Assistant to support three pupils.
- 43 This new approach to SEN support has a financial saving to both the Council and individual schools, as well as delivering better outcomes for the children being supported through this new way of working. In relation to the financial element, the traditional method of schools being held to pay the first £6000 for every pupil and the Council providing individual funding for each child is set aside, with overall contributions for the group as a whole being provided, producing cost mitigations that benefit both school and the Council.
- 44 The table below provides an overview of the mitigation savings that have been made over the last year by adopting this new way of support children in receipt of SEN support in mainstream schools.

Age Range	Spend on Group Funding	Potential spend if 1:1 funded instead	Cost mitigations produced
New Reception 2023	£423,763	£759,000	£280,509
Primary Age	£1,666,493.50	£3,628,000	£1,961,506.50
Secondary Age	£619,305	£856,655	£237,350

5. SEN pressures in mainstream schools with high levels of children in receipt of High Needs funding plans – 0.5% School top-slice agreement 2023/24.

- 5.1 As well as covering general operating costs for the education of all children on roll from its' delegated budget each school is also usually required to meet the first £6,000 of any additional support for any children in receipt of SEN high needs support. The Government has indicated that each school keeps a small element back of each funding stream within its delegated budget to create a "notional SEN" budget to support any additional SEN costs specific to each school. For many schools, especially those only receiving minimum funding levels, the funding they receive on an annual basis only covers general day to day costs and so any additional financial pressures due to SEN pupils makes things extremely difficult – especially if the school is very inclusive / has high levels of SEN pupils.
- 5.2 If schools cannot afford to meet the first £6,000 then the LA has the option to support all the additional SEN costs from its High Needs Budget to ensure that pupils continue to be supported in mainstream settings and that placements do not breakdown resulting in pupils being transferred into more expensive Specialist Placements.
- 5.3 In 2022/23 there were a number of inclusive schools, including several schools who only receive minimum formula funding levels, who approached officers to inform them that from 2023/24 they could not afford to support the first £6,000 of support for every pupil in receipt of HN funding and that in most cases SEN staffing would have to cease and pupils placed in Specialist settings unless the LA could cover full cost of SEN support.
- 5.4 With the significant financial pressures facing the High Needs Budget and a forecast accumulative deficit of approx. £18.5m by the end of 2022/23 Officers took the decision to meet with all Headteachers to seek support from the primary and secondary sectors to help with this financial pressure facing certain schools in 2023/24.
- 5.5 All schools, through a majority vote, agreed to a 0.5% top-slice of the maintained schools budget block in 2023/24 as a one-off agreement. This funding (£987,000) is an earmarked contingency in the High Needs Budget in 2023/24 and used to meet the first £6,000 for any children in receipt of high needs support for each pupil where the number of SEN children is exceeding 3% of the school population in each school.
- 5.6 However, this is a one-year fix and work will be required in the autumn term to seek support for 2024/25 or this potentially will become a £1m cost pressure against the High Needs Budget in 2024/25 or risk many placement breakdowns in school settings.

6. Specialist Placements, sufficiency proposed and current projects

- 6.1 As described in 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.

- 62 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.
- 63 Progress on previously agreed elements is set out below along with any placement cost avoidance elements that are realised through the work:

Name of Setting	Area of Need	Update	Impact
Redgate Primary School	Complex Learning Difficulties (CLD)	Building work completed for Easter 2023. Additional play area work in progress.	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 (SEMH)	Work due to commence with former St Teresa's site. Building to be ready for school to move pupils in from January 2024.	Additional 28 places created. Based on average split of top 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	Additional 40 places to be created. Annual cost of £552,870 in LA

		application to Sefton Council for approval. Anticipated completion by September 2024 at latest.	provision against at least £2 million in Independent provision. Cost avoidance of £1,447,130.
Waterloo Primary ASD Base	Autistic Spectrum Disorder (ASD)	Completion date due of 30 th October	Additional 8 places to be created. Annual cost of £110,574 against £400,000 in Independent provision. Cost avoidance of £289,426
Waterloo Primary mainstream	All Needs	Internal works to support SEN groups due to be complete ready for start of September 2023	Support for SEN Support pupils in mainstream places. N/A on direct cost mitigation
Thomas Gray Primary Base	Social Communication	Mobile classroom ready for start of Autumn term. Internal alterations partially ready for start of Autumn term and further phase after this.	Additional 38 places to be created. Annual Cost of £560,000 in LA provision against £1.9 million in Independent Provision. Cost avoidance of £1.34 million.
Marshside Primary	ASD	Mobile classroom to be ready for start of Autumn term	Support for pupils in mainstream places. N/A on direct cost mitigation
Bishop David Sheppard Base	Social Communication	Internal alteration and extension to be ready during Autumn term	Additional 16 places to be created. Annual cost of £221,148 in LA provision against £800,000 in Independent provision. Cost avoidance of £578,852.
Holy Family High Base	Cognition and Learning	Mobile classroom to be ready Spring 2024. Internal	Creation of 30 additional places by September 2024.

		works to be carried out for Autumn 2023	Annual cost of £414,652 in LA provision against £1.5 million in Independent provision. Cost avoidance of £1.085 million.
Grange Primary	All Needs	Sensory room refit to be complete for Autumn 2023	N/A on direct cost avoidance
Farnborough Jnr School	All Needs	Access ramp and Canopy work being tendered for	N/A on direct cost avoidance
Norwood Primary	All Needs	Hygiene room to be ready for Autumn 2023	N/A on direct cost avoidance
Hudson Primary	All Needs	Internal changes to reception room to be ready for Autumn 2023	N/A on direct cost avoidance

While there is an additional cost pressure of £2,646,760 against the High Needs budget, there is an overall cost avoidance of an additional £5,752,892 against independent school placements per annum for those pupils once all new places are open across the provisions. These elements are factored in within sections 3.6 and 3.8.

- 64 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.

Future Workstreams

7. Delivering Better Value (DBV) in SEND Programme

- 7.1 The DBV Programme has now concluded its analytical and forecasting stage and is now at the point of action planning on workstreams for the bid for grant funding from the DfE for up to £1 million to be submitted.
- 7.2 The financial analysis of current trends produced by the Programme show an unmitigated forecast cumulative deficit in the High Needs budget of up to £132million by 2028 if current trends do not change and no extra actions are undertaken.

- 73 In mitigation, the DBV Programme has identified an opportunity to mitigate that deficit by an overall cumulative amount from 2024 – 2028 of £19.8 million or a stretch target of £24.7 million in a best-case scenario. This would reduce the forecasted deficit for 2028 to between £107.3 million - £112.2 million. The increases are driven by inflation, continued increases in demand and the continued overflow out of MSS into INMSS once MSS reaches capacity. These are sector wide issues with the significant majority of Councils reporting continued forecast significant mitigated deficits and DfE seeking to revisit the figures.
- 74 This is a clear variation in position from the initial stated purpose of the DBV Programme enabling Councils to move back to within balanced budgets to mitigating the growth of the deficit. The DBV Programme and workstreams must therefore be seen as only one part of the solution required to the financial situation.
- 75 Focus of DBV Workstream outcomes - The DBV Programme has identified mitigation opportunities in strengthening the mainstream engagement with the Graduated Approach to meeting needs of children with SEND and so reducing the flow of pupils leaving mainstream and moving to resourced provision, maintained special schools and independent special schools. This then produces further capacity in the maintained special school and resourced provision elements, thus reducing further the flow into independent special schools.
- 76 Two parallel workstreams will focus upon the Early Years, particularly the transition from nursery to Reception, and school aged children, particularly the transition from primary to secondary. Additional fixed-term staff will be recruited by the use of grant funding to create additional temporary capacity in the Inclusion, Educational Psychology and Early Years services to enable the required development work to take place and to provide a greater capacity to respond to school requests for immediate support and guidance.
- 77 A focussed piece of work will take place to refresh and strengthen the existing Graduated Approach document, to make it holistic across Education, Health and Care, not just focussed on education. It will also have a toolkit alongside it to enable quick access for SENCOs and other practitioners to supportive resources and contacts. Alongside this the Local Offer will be reviewed and refreshed to increase accessibility and information available. A strengthened training offer will also be created to provide greater knowledge, skills and confidence in school staff. To ensure sustainability, a train the trainer approach will be adopted to ensure retention of skills and experience.
- 78 Work will be carried out to ensure stronger clearer communication with families to raise awareness of services available and how to access them, along with a clearer understanding of the Graduated Approach and what to expect to be available for their children.
- 79 The framework for mainstream high needs funding will be refreshed, piloted in the Autumn Term of 2023 and built towards a full relaunch in September

2024.

- 7.10 A dashboard to measure indicators of Inclusion across schools will be established to ensure clear measurement of schools' inclusiveness and to measure the impact of the work carried out over the next 18 months from a baseline position. This will be shared transparently with schools to ensure clear understanding of practice across the local area and to enable peer accountability when ensuring consistency of application of the Graduated Approach. Measures will include exclusions, attendance, EHC Assessment requests, destination of pupils when an EHC Plan is finalised, in year moves between schools, rates of referrals to services and engagement with support offered etc.
- 7.11 In conclusion in relation to the DBV Programme, it has become clear that focus has shifted from balanced budgets to cost mitigation and that achieving financial stability through this programme alone is not achievable. The Council cannot meet the remaining forecast deficit from within its own finances and so it represents a continued risk to the financial sustainability of the Council, especially with consideration of the financial override expiring in 2026. It is essential that through Members and Officers that there is significant engagement with the DfE, Treasury and DLUHC to ensure that conversations continue and challenge is made over the financial situation.

8. Special School Sufficiency Planning

- 8.1 In the previous quarterly report reference was made to work in development in relation to developing special school sufficiency in Sefton. As a result of the outcomes of the DBV Programme this has been prioritised as an additional piece of work required to further reduce the projected growth in the High Needs Funding.
- 8.2 At this point the work is at an embryonic stage but pace and priority have been attached to the work in recognition of significance of the work. An initial meeting has been held between key Officers from various departments across the Council to co-ordinate a Project group to manage the work required. Initial implementation of the work is targeting September 2024 for additional places to become available.
- 8.3 This will involve a significant amount of investment into the special school estate to ensure appropriate sufficiency of places for the next 5-7 years. DBV analytics forecasts a requirement of an additional 388 special school placements over the next 5 years to 2028. Provision of these places through maintained provision, while still representing an additional cost on the current budget, will still represent a significant mitigation of costs compared to those pupils requiring independent school settings.
- 8.4 Further updates on the progress of this work will provided to the next quarterly report to Cabinet.

9. Monitoring and Review

- 91 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.
- 92 The Service Manager for SEND and the Assistant Director for Education meet on a weekly basis to review HNF requests over £20,000, mainly independent out of borough requests.
- 93 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.
- 94 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, discussions are underway with the 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'. This will be progressed further in the coming months.

10. What will success look like?

- 101 As previously stated in Section 1.6, 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.
- 102 To fulfil these objectives, success will look like as set out below:
- o 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 closer to a position of financial sustainability at the end of that cycle.

103 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'. Given the current position with the DBV Programme, which is also reflected across other Councils taking part in the Programme of the opportunities for mitigation not offsetting the forecasted deficits, this conversation holds an even higher priority than previously. The firm running the DBV Programme, Newton Europe, are collating all outcomes for Councils in the Programme and feeding the findings back to the DfE, however further dialogue between Councils themselves and the Department may be required as this situation moves forwards.

- 104 The proposals contained within this report will further improve the system that impacts the High Needs Budget and over time is intended to lead to financial sustainability, however the forecasted deficit cannot be ignored. It was 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 end of 22/23) must be considered.

11. Risk of taking no action

- 11.1 Cabinet is asked to formally note the actions being taken to address the budget deficit. This will involve a future decision in relation to proposals on a Capital scheme once options have been explored and are in a position to be presented. Should the decision be taken not to approve these schemes there are several risks which should be fully considered by Members.
- 11.2 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.
- 11.3 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.
- 11.4 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.

115 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.

12. Next Steps

121 The LA is now at the point of submitting its final application to the DfE for the awarding of the £1 million grant funding. This will be considered by the DfE by the end of July 2023 with workstreams then due to start at the end of August to run through to March 2025 in terms of use of the Grant funding. An update on progress will be provided at the next quarterly report.

122 Initial project meetings have commenced in relation to the Capital sufficiency work with planning underway. This will continue over the summer period and will be in a position to provide a more detailed update with potential proposals at the next quarterly report.

123 Work on the strategic structure and capacity of the SEN Service will continue to ensure there is sufficient strategic and operational capacity to manage and deliver on the outcomes required for the service area.