



Schools Forum

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HIGH NEEDS BLOCK – 3 YEAR FORECASTING

Responsible Officer Stephen Waters

e-mail: Stephen.a.waters@shropshire.gov.uk Tel: (01743) 258952

Summary

This report provides an update on the current 3-year forecast for the High Needs Block DSG financial position.

Recommendation

This report is for information only.

REPORT

Introduction

1. This report provides an update to Schools Forum members in relation to the forecasted High Needs Block DSG financial position over the 3 year period; 2023-24 to 2025-26.
2. The methodology used to arrive at the figures in this report has been to use the current High Needs Block DSG financial position in 2022-23 as a baseline for future year's expenditure. The next step was to consider what trends we have observed in expenditure growth, and then use these trends to determine a set of assumptions that forecast future High Needs Block DSG expenditure. Assumptions have also been used to determine future High Needs Block DSG allocations in 2024-25 and 2025-26.

Current High Needs Block DSG financial position – 2022-23

3. As set out in "Paper D – Dedicated Schools Grant monitoring", the forecasted cumulative DSG surplus at the end of 2022-23 is £1.143m, an increase from £0.717m as at the end of 2021-22.

4. Within this figure, the forecasted position on the High Needs Block DSG is a surplus or underspend of £0.386m against a centrally controlled High Needs Budget of £27.455m.
5. This budget excludes the place funding element of the High Needs Block totalling £9.218m but does include the transfer of £0.949m funding from the Schools Block to the High Needs Block as approved by Schools Forum. This is important to note, as without this transfer from the Schools Block, the High Needs Block would be reporting an in-year deficit position of £0.563m.

Future High Needs Block DSG financial position – 2023-24 to 2025-26

6. Please see attached the financial appendix which shows the forecasted expenditure and income and therefore overall surplus/deficit position on the High Needs Block DSG over the period 2023-24 to 2025-26. The main assumptions on each budget area are set out below:

High Needs Block Budget or Allocation

7. In 2022-23, the total High Needs Budget comprises two elements; the published High Needs Block DSG allocation (£35.724m) and the 0.5% transfer from schools block (£0.949m). In 2022-23 this resulted in a total High Needs Budget of £36.673m.
8. For 2023-24, Shropshire Council has been awarded a provisional allocation of £39.268m. This represents a 9.9% increase on the 2022-23 allocation. However, forecasting forward to 2024-25 and beyond, the High Needs Operational Guidance document states the following: *“Revenue funding will continue to grow in 2023-24 and 2024-25, but on a scale smaller than the increases over the last 3 years. This is why LAs will be asked in working with the department to use an assumption of a 5% increase on their total high needs block allocation between 2022-23 and 2023-24, and 3% year on year beyond that, until allocations are confirmed”*. Therefore for 2024-25 and 2025-26, a 3% growth in High Needs Block DSG allocation has been forecast.
9. At this moment, there is no funding available for a 0.5% transfer from Schools Block to High Needs Block in 2023-24, after fully funding the National Funding Formula to schools. For this reason, the forecasts for 2023-24 to 2025-26 assume no transfer of funding from the Schools Block to High Needs Block.

Recoupment of High Needs place funding

10. In 2022-23 the total recoupment of High Needs place funding for Academies was £6.287m. This includes place funding at 2 Special Schools; Severdale School and Woodlands School, plus place funding at the SEND hubs attached to Mainstream Academies as well as Post 16 FE College placements.

11. The % increase in EHC Plans between 2022 and 2023 is estimated to be 5.4% based on a forecast increase in EHC Plans from 1982 in 2022 to 2089 in 2023. As a result, a 5% increase in pupil numbers or demand has been applied to the Mainstream and Special School academies numbers. This has been applied from September 2023 in the case of mainstream settings and September 2024 in the case of Special Schools.
12. For our Post 16 cohort, historically there has been a higher % growth in EHC Plans year on year. Based on the latest EHCP forecast numbers, a 10% increase in pupil numbers or demand has been applied to the place numbers for both Special School - Post 16 and Further Education College numbers.
13. In 2023-24, as well as the place funding for Severndale and Woodlands schools, the place funding for the new Special Free School, Keystones will also be directly recouped from Shropshire's High Needs Block DSG allocation. The assumptions here are slightly in different as there is a plan to increase commissioned places from 50 to 90 in September 2023 and 90 to 120 in September 2024 so the expenditure has been calculated based on these figures.
14. In terms of price inflation, at this moment in time it is assumed that the £10,000 per commissioned place funding will continue at the same rate as the ESFA has not stated otherwise.
15. These assumptions above have had the impact of significantly increasing forecasted place funding directly recouped from the High Needs Block DSG allocation from £6.287m in 2022-23 to £8.810m in 2025-26.

High Needs place funding – Maintained Settings

16. In 2022-23 the total High Needs place funding for maintained settings was £2.931m. The majority of this relates to the Council's Pupil-Referral-Unit, TMBSS where there are 156 commissioned places. It also covers SEND hubs attached to maintained schools as well as an element of contingency for academy settings in the case of mid-year changes.
17. For TMBSS, the assumption for forecasting purposes is that the number of commissioned places will remain at 156 so no growth has been built in here.
18. For the SEND Hubs, a 5% increase in pupil numbers or demand has been applied to the numbers from September 2023.
19. A contingency of £0.200m equal to 20 commissioned places will be budgeted for in each of the years 2023-24 to 2025-26. This allows the Council the flexibility to react to any increases in demand for place numbers mid-year.
20. These assumptions above have resulted in forecast expenditure of £2.470m in 2023-24. Please note that this is lower than the 2022-23 level. There are 2 reasons for this. Firstly, the Free-Special School (Keystones) place funding totalling £0.292m in 2022-23 has not been directly recouped in 2022-23 so appears under

this funding total in 2022-23 but this is not the case in 2023-24 as it will be recouped directly. Secondly, in 2022-23 there is budget allocated for some mainstream academy school places which were not recouped in error as part of the £6.287m, however these have been included in the 2023-24 forecasts and beyond for academies.

Top-Up funding – Primary and Secondary Schools (including GSP payments)

21. In 2022-23 the total budget for top-up funding to primary schools totalled £3.273m, however the latest forecast shows forecasted expenditure for 2022-23 of £3.029m. Applying the 5% increase in EHC Plans for 2023-24 and beyond gives a figure of £3.180m in 2023-24, increasing to £3.506m in 2025-26.
22. In 2022-23 the total budget for top-up funding to secondary schools totalled £2.123m, however the latest forecast shows forecasted expenditure for 2022-23 of £1.937m. Applying the 5% increase in EHC Plans for 2023-24 and beyond gives a figure of £2.034m in 2023-24, increasing to £2.242m in 2025-26.
23. There is no assumed growth in top-up funding banding values or rates but this is something to be kept under review in 2023-24 and beyond.

Top-Up funding – Special Schools (including GSP payments)

24. In 2022-23 the total budget for top-up funding to special schools totalled £4.396m, however the latest forecast shows forecasted expenditure for 2022-23 of £4.377m. It is important to note that these figures only reflect a part-year effect of top-up funding to the new Free Special School, Keystones which opened in September 2022 so that needs to be taken account of in 2023-24 and beyond.
25. As such the forecasted expenditure for 2023-24 is £5.272m. This assumes a full year effect of Keystones' top-up funding whilst applying the 5% increase in EHC Plans for growth purposes. This figure increases to £5.812m in 2025-26.
26. Any growth in top-up funding values would come from the Additional High Needs Funding allocation of £1.644m so would not impact on the 2023-24 to 2025-26 forecasts shown in the appendix.

Top-Up funding - Pupil Referral Unit

27. In 2022-23 the total budget for top-up funding to the Pupil Referral Unit, TMBSS totalled £1.311m, and the latest forecast shows forecasted expenditure in line with this budget. No growth has been applied to 2023-24 to 2025-26 in line with the assumption that the number of commissioned places will remain at 156.

Top-Up funding – Recoupment

28. In 2022-23 the total budget for top-up funding - recoupment totalled £1.200m, however the latest forecast shows forecasted expenditure for 2022-23 of £1.377m.

Applying the 5% increase in EHC Plans for 2023-24 and beyond gives a figure of £1.445m in 2023-24, increasing to £1.594m in 2025-26.

Top-Up funding - Academies, Free Schools and Colleges – Colleges

29. In 2022-23 the total budget for Further Education college placement expenditure totalled £2.770m, however the latest forecast shows forecasted expenditure for 2022-23 of £1.954m. This is an underspend of £0.816m. The reasons for this are set out in Paper D.
30. As discussed under the place funding assumptions, the % increase in EHC Plans in the post 16 cohort is assumed to be 10% rather than 5% in future years. For this reason, a 10% growth is applied to the 2022-23 forecast. Additionally, there is inflationary growth assumed of 5% in relation to price uplifts. This means that the total growth applied to the 2022-23 forecast is 15%, giving total forecasted expenditure of £2.247m for 2023-24.
31. In 2024-25 and 2025-26, the growth % has been decreased to 12% and 10%, assuming that officers are able to manage both the inflationary and demographic growth, given that the High Needs Block DSG funding allocation is only forecast to increase by 3% in these 2 financial years.

Top-Up funding - Non-Maintained and Independent Providers

32. In 2022-23 the total budget for top-up funding - Non-Maintained and Independent Providers totalled £7.442m, however the latest forecast shows forecasted expenditure for 2022-23 of £8.114m. This is an overspend of £0.672m. This relates to an increase in numbers of young people attending independent settings, both independent special schools and independent alternative providers.
33. The 5% increase in EHC Plans has been applied for 2023-24 and beyond as well as inflationary growth of 5% in relation to price uplifts, giving total growth of 10%.
34. In 2024-25 and 2025-26, the growth % has been decreased to 7.5% and 5%, assuming that officers are able to manage both the inflationary and demographic growth, given that the High Needs Block DSG funding allocation is only forecast to increase by 3% in these 2 financial years.

Additional High Needs Targeted Funding for Maintained Schools and Academies

35. This budget is in line with the Government's recommendation to target additional high needs funding at schools with a disproportionate number of high needs pupils. A high needs contingency payment is made where a school does not receive enough Element 2 funding within their notional SEN budget to contribute £6,000 to the cost of provision for each high needs pupil, or a school does not have at least

20% of Element 2 funding within their notional SEN budget remaining once they have contributed £6,000 for each of their high needs pupil.

36. In 2022-23 the total budget for additional targeted high needs funding was £0.400m but the forecast for 2022-23 is only £0.228m which shows there is some headroom in this budget.
37. For 2024-25 to 2025-26 the budgeted level for additional targeted high needs funding has been decreased to £0.300m for each of the 3 financial years.

SEN Support Services

38. In 2022-23 the total budget for SEN Support Services was £1.693m, however the latest forecast shows forecasted expenditure for 2022-23 of £1.912m. Some of the overspends in 2022-23 relate to one-off staffing arrangements and the budget which was set for 2023-24 is £1.810m. It is then assumed to increase by 5% from 2024-25 onwards in line with the % increase in EHC plans.

Hospital Education Services

39. In 2022-23 the total budget for Hospital Education Services was £0.170m, however the latest forecast shows forecasted expenditure for 2022-23 of £0.147m.
40. The underspend relates to the £0.065m budget for hospital education placement fees so the budget for this has been maintained at £0.065m for 2023-24 and increased by 5% from 2024-25 onwards.
41. The remaining £0.105m budget relates to a staffing recharge for 2 hospital tutors. This has been assumed to increase by 5% each year. As a result, the Hospital Education Services budget will increase from £0.175m in 2023-24 to £0.193m in 2025-26.

Other Alternative Provision Services

42. In 2022-23 the total budget for Other Alternative Provision Services was £0.138m, however the latest forecast shows forecasted expenditure for 2022-23 of £0.113m.
43. The underspend relates to the £0.050m budget for specialist educational equipment where expenditure can vary year to year. The remaining £0.088m relates to the Portage Service which is a joint arrangement with Telford & Wrekin Council.
44. Applying the 5% increase for 2023-24 and beyond gives a figure of £0.119m in 2023-24, increasing to £0.131m in 2025-26.

Support for Inclusion

45. In 2022-23 the total budget for Support for inclusion was £1.198m, however the latest forecast shows forecasted expenditure for 2022-23 of £1.229m.
46. For 6th day provision, 5% growth in 2023-24 and beyond has been assumed which increases the forecasted expenditure from £0.396m in 2022-23 to £0.458m in 2025-26.
47. On the remainder of the Inclusion Services budget, 5% growth has been applied to the latest 2022-23 forecast on some elements of the budget whereas budget levels remain at current levels on others. This has had the overall impact of increasing this budget line from £0.845m in 2023-24 to £0.871m in 2025-26.

Additional High Needs Allocation

48. The provisional allocation for 2023-24 is £1.644m. This will be passported on to the County's special schools to deal with inflationary pressures. In 2024-25 and beyond it is assumed that this will increase in line with the corresponding increase in High Needs Block DSG funding allocation which is assumed to be 3%. If it is any more or less than this, the expenditure will be increased or decreased accordingly.

Summary

49. The table below is a high level summary of the information contained in the financial appendix.

	<u>2022-23</u> <u>Allocation</u> <u>£m'</u>	<u>2022-23</u> <u>Forecast</u> <u>£m'</u>	<u>2023-24</u> <u>£m'</u>	<u>2024-25</u> <u>£m'</u>	<u>2025-26</u> <u>£m'</u>
High Needs Block DSG Allocation	36.673		39.268	40.446	41.659
Overall Budget					
Recoupment of High Needs place funding	(6.287)	(6.287)	(6.963)	(8.223)	(8.810)
Maintained School Place Funding	2.931	2.931	2.470	2.498	2.528
Centrally Controlled High Needs Budget	27.455	27.069	29.790	31.582	33.209
Total High Needs Budget	36.673	36.287	39.222	42.304	44.547
Total High Needs (Surplus) or Deficit		(0.386)	(0.111)	1.724	2.681

Cumulative High Needs Block (Surplus) or Deficit		(0.921)	(-1.032)	0.692	3.373
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50. Given all the assumptions above, the summary table below shows that given the anticipated growth for 2023-24, there is forecasted to be a £0.111m in year surplus on the High Needs Block DSG allocation for 2023-24.
51. In 2024-25, the High Needs Operational guidance advises using an assumption of 3% growth in High Needs Block DSG allocation. This means an increase in income of £1.178m to £40.446m. The corresponding increase in required expenditure is 7.7% or £3.013m using the assumptions set out above hence there is a movement from a forecasted surplus in 2023-24 to a forecasted in year deficit of £1.724m in the 2024-25 financial year. This would result in a cumulative High Needs Block deficit of £0.692m as at the end of the 2024-25 financial year.
52. In 2025-26, using a 3% growth in High Needs Block DSG allocation assumption, the High Needs Block DSG allocation will increase by £1.213m to £41.659m. The corresponding increase in required expenditure is 5.2% or £2.170m using the assumptions set out above hence there is a forecasted deficit of £2.681m in this year. This would result in a cumulative High Needs Block deficit of £3.373m as at the end of the 2025-26 financial year.
53. This exercise demonstrates that although the High Needs Block DSG financial position looks healthy in 2022-23 with a forecast in-year surplus of £0.386m, we anticipate that the financial position will start to worsen from 2024-25 onwards if current growth assumptions are correct. This is demonstrated by a forecast cumulative deficit of £0.692m at the end of 2024-25.
54. To plan for this, Schools Forum members and Officers will need to consider a range of strategies to manage the future increase in demand so that it is sustainable within future year's High Needs Block DSG allocations.