

ITEM 3 High Needs Block Forecast Outturn

Schools Forum – 06th November 2023

Recommendation

Schools Forum is asked to:

Note the Q2 Forecast Outturn position for 2023/24.

Note the significant risks identified in this report and key milestones on the DSG Deficit Recovery Plan

1. Introduction

- 1.1 This paper provides an update on the High Needs Forecast outturn at Quarter 2 of 2023/24 as well as some key milestones on the DSG Deficit Recovery Plan.
- 1.2 The High Needs block represents one of the four funding blocks within the Dedicated School Grant with significant financial and operational risk to the Council.
- 1.3 The DfE expects Local Authorities will ensure value for money and provide subsequent assurance to DfE that the grant is being deployed in accordance with the grant conditions and regulations. The local Authority is under close scrutiny from the DfE Safety Valve team, Improvement Panel, Management and SEND Board regarding the meet for the LA to meet its financial and non-financial targets under the Safety Valve agreement.
- 1.4 This funding block provides local authorities with resources for place funding and top-up funding for schools and colleges for Special Educational Needs.
- 1.5 Local authorities are required to have Special Educational Needs inclusion fund (SENIF) for all 3 and 4-year-olds with special educational needs (SEN) who are taking up the free entitlements, regardless of the number of hours taken. Local authorities are expected to establish their SENIFs funding from the early years block and/or the high needs block of their DSG allocation.

2. High Needs DSG Allocation for 2023/24

- 2.1 The initial allocation for 2023/24 was £82.566m. The Education and Skills Funding Agency (ESFA) later reduced the allocation by £507k to £82.059m in the published ESFA July data.
- 2.2 Appendix (A) below shows detailed breakdown of how the current DSG allocation has been distributed across the key provisions and the Q2 forecast outturn.

3. Forecast Outturn for 2023/24

- 3.1 The Quarter 2 forecast outturn for 2023/24 was £82.739m with a budget of £82.059m. This shows a reported variance is £680k at Q2. This position shows insignificant movement in the outturn variance over the last few months. The overall target set by the DfE safety Valve team for £725k overspend.

4. DSG Deficit Recovery Plan

4.1 Financial Target under the DfE SV agreement: Table 1 below shows the annual payment expected from the DfE cash intervention award which the LA received £10.96m in March 2023.

4.2 A further payment of £3.29m is expected this year once the LA demonstrates that it's on target to deliver the set financial targets signed under the agreement and shown in Table 1 below represents financial targets linked to payment expected from the DfE.

Table 1. DfE High Needs Overspend target under the Deficit Management Plan.

| <u>Forecast 2023-24 - to assess whether LA is on track to achieve its Safety Valve agreement in the current year?</u> | Outturn 22-23 | 23-24 Target - as per agreement | 23-24 Forecast - Update 1 (May/June) | 23-24 Forecast - Update 2 (September) |
|---|----------------|---------------------------------|--------------------------------------|---------------------------------------|
| | £m | £m | £m | £m |
| Cumulative DSG deficit - brought forward (deficit at beginning of financial year) | -21.295 | -15.384 | -15.384 | -15.384 |
| In year DSG deficit (before Safety Valve and local contributions) | -5.049 | -0.725 | -0.655 | -0.680 |
| Safety Valve programme contribution | 10.960 | 3.290 | 3.290 | 3.290 |
| Local contribution | 0.000 | 0.000 | 0.000 | 0.000 |
| Cumulative DSG deficit - carry forward (deficit at end of financial year) | -15.384 | -12.819 | -12.749 | -12.774 |

4.3 The DfE will also provide support and challenge as well as aimed at helping the LA to reach sustainable high needs spend using two key areas: These are:
 (i) Demand management through the EHCP assessment processes.
 (ii) Well-managed placement of education provision in a cost-effective way as well as effective resource utilization.

5 Out of Borough, Independent and Maintained Special Schools:

The overall reported overspend in appendix (a) is due to increased demand above the allocated budget for complex cases and inflationary increase from Independent and Out of Borough placements.

5.1 2.199m Out of Borough and Independent – Forecast overspend due to an increase in complex cases above that expected, requiring out of borough placement to meet needs. The service is in discussions with local providers to set up Enhanced Learning Provision during the Autumn Term. £954k overspend due to increased placements in Mainstream Education provision exceeding the budgeted allocation. This forms part of the invest to save SEND strategy in year 2.

Trended spend:

| Budget Description | financial year | amount spent GL Transaction list | number of students | number of schools | Average costs |
|---------------------|----------------|----------------------------------|--------------------|-------------------|---------------|
| Independent Schools | 19/20 | 11,752,582.32 | 234 | 84 | 50,224.71 |
| Cost code C10684 | 20/21 | 11,216,339.87 | 263 | 76 | 42,647.68 |
| | 21/22 | 10,290,830.23 | 292 | 88 | 35,242.57 |
| | 22/23 | 13,487,326.47 | 322 | 87 | 41,886.11 |
| | 23/24 | 14,354,671.00 | 297 | 87 | 48,332.23 |
| | | | | | |

This represents an increase of £867,344.60 on last year – so a 6.7% increase. Many settings have raised their fees by between 11% and 23% which has impacted upon overall cost and spend.

- 5.2** The services are expected to closely monitor the demands pressures in Independent and Out of Borough placement owing to cost implications. Addington Valley Academy, St Nicholas, Coulsdon College Croydon, and Waddon Youth Disability Services are increasing placement numbers, which is reducing high-cost placements out of borough.

6 Risk and mitigating options

- 6.1** Increase in demand for SEND support appears to be high considering the recent statistics on the number of Education, Health, and Care Plan (EHCP) in Croydon. Recent data shows an uptick from 3626 to approximately 4018 EHCP's. The service is working hard to mitigate the risk by extensive supply management strategies including the setting up of more Enhanced Learning Provisions in the Borough.
- 6.2** Request for additional funding to meet the needs of complex pupils placed in independent, special and Out of Borough is additional risks to the overall budget.
- 6.3** Inflationary issues and demands for a revision in top up funding from Independent and Out of Borough schools is becoming an enormous risk to the overall budget.
- 6.4** Another underline risk is the additional funds (invest to save) required to meet the proposed extension of the cluster of schools / cohort of the locality project to now cover the Early Years sectors albeit within schools only at this stage. Any decision to expand this to the whole sector will need to be well considered due to funding limitations.
- 6.5** Another risk is likely demand for more funding to meet the growing need for therapies considering the recent 25% agreed increase in the therapy contract with Health.
- 6.6** Recent Audit undertaken DfE appears to few cases where General Fund is financing activities which should be funded by the DSG. This includes some of the inclusion work been lead the Waddon Youth Disability Services.
- 6.7** The risk related to the statutory override has been extended for another 3 years. This implies that external auditors will not expect the deficit remaining to be recovered in full or held against unearmarked general fund reserves for the next three years to financial year 2025-26

7 Conclusion:

- 7.1 The High Needs budget monitoring reporting is based on a robust DfE financial monitoring template which contains a separate risk section and EHCP data analysis split into required and optional information which the DfE considers as best practice.
- 7.2 Constant work is required to keep the forecast outturn within the target variance of £725k due to significance risks listed in paragraphs 6.7 to 6.7 above. The High Needs budget should be closely monitored by the service to forestall any unexpected deviation including recent claims from some schools related to historical invoices yet to be paid. DfE Safety Valve Team, Audit and Assurance Committee, SEND Board and Management would be updated on the Q3 position in January 2024.

Recommendation

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Note the significant risks identified in this report and key milestones on the DSG Deficit Recovery Plan

Appendix A
High Needs Q2 Forecast Outturn for 2023/24

| Ref. | 0-25: Schools Provisions / Service | Current Budget 2023/24 £,000 | Outturn Forecast 2023/24 £,000 | Outturn Variance £,000 |
|---------|---|------------------------------------|--------------------------------------|---------------------------|
| Line 1 | EHCP Pupils: Croydon Mainstream Schools + Academies | 5,732 | 6,686 | 954 |
| Line 2 | Croydon Enhanced Learning Provision | 2,934 | 2,065 | -869 |
| Line 3 | Croydon Special Schools (including 6th forms) | 27,330 | 27,330 | - |
| Line 4 | Small schools' factor | 164 | 164 | - |
| Line 5 | Pre & Post16 Independent & Non-Maintained Provision | 11,180 | 12,227 | 1,047 |
| Line 6 | Croydon pupils in Out of Borough schools | 4,649 | 5,802 | 1,153 |
| Line 7 | Early Years (0-5) [SENIF] | 1,200 | 950 | -250 |
| Line 8 | FE colleges | 4,793 | 4,793 | - |
| Line 9 | Out of borough Hospital Education cost | 385 | 385 | - |
| Line 10 | Croydon Pupil Referral Units | 3,395 | 3,395 | - |
| Line 11 | Alternative Provision (including Home Tuition & Fair Access) | 1,361 | 1,361 | - |
| Line 12 | Beckmead Group (Special School) | 5,259 | 5,259 | - |
| Line 13 | Commissioned Outreach | 390 | 390 | - |
| Line 14 | Additional Grant allocated to SEN Transformation Model | 2,599 | 1,645 | -954 |
| Line 15 | Croydon Locality model – Mainstream and Academies | 1,868 | 1,868 | - |
| Line 16 | Teacher Pay and Pension | 1,296 | 1,146 | -150 |
| Line 17 | 3.4 % DfE Approved additional Grant (Special Schools) – 2023/24 financial Year Only | 1,142 | 1,142 | - |
| | Sub Total (a) | 75,677 | 76,608 | 931 |
| Line 18 | SEN Admissions and Support for Inclusion | 2,204 | 2,054 | -150 |
| Line 19 | Virtual School | 720 | 620 | -100 |
| Line 20 | Communication Support C | 1,320 | 1,320 | - |
| Line 21 | Primary PRU Intervention Programme | 0 | 0 | - |
| Line 22 | SEN Transport cost - Direct Payment | 313 | 313 | - |
| Line 23 | Therapies. Speech and Language [Commercial + Spot Purchase] | 968 | 968 | - |
| Line 24 | Croydon University Hospital Education Provision | 0 | 0 | - |
| Line 25 | Community Learning Programme (Beckmead) | 0 | 0 | - |
| Line 26 | Inclusion support | 450 | 450 | - |
| Line 27 | Perip-Hearing Impairment Team | 407 | 407 | - |
| | Sub Total (b) | 6,382 | 6,132 | -250 |
| Line 28 | Total in-year Position | 82,059 | 82,740 | 681 |
| Line 29 | Cumulative Overspend B/f | 0 | | |
| Line 30 | Forecast Cumulative Deficit | 0 | | |
| Line 31 | Deficit Recovery Plan - Target Deficit | 0 | | |
| Line 32 | Total in-year Position | 82,059 | 82,740 | 681 |