

Title of Report: High Needs Budget 2024/25

Meeting: Herefordshire Schools Forum

Meeting date: 12 April 2024

Report by: Schools Finance Manager

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To report the recommendations of the Budget Working Group and propose the High Needs Budget for 2024/25.

Recommendation(s)

That the Forum:

- a) notes the High Needs forecast outturn position for 2023/24;
- b) notes the Dedicated Schools Grant (DSG) allocation for 2024/25 for the Schools, High Needs and Early Years blocks;
- c) considers the recommendations of the Budget Working Group (BWG) held on 11 March 2024; and
- d) recommends a High Needs Budget of £29.7 million for 2024/25 for approval by the Cabinet Member for Children and Young People as set out in Appendix 1, noting the funding gap in 2024/25 of £6.5 million.

Alternative options

1. The Budget Working Group (BWG) has been consulted on the proposed budget plan and options considered are included at Appendix 2. The Children and Families Act (2014) requires

the council to ensure that the needs of pupils are met and the council is required to adhere to the Department for Education (DfE) prescribed arrangements for school and Local Authority as set out in regulations.

Key considerations

2. The council receives funding for schools and designated central services via the Dedicated Schools Grant (DSG). This is a ring-fenced grant and is allocated by the Department for Education in 4 blocks: Schools, Central School Services, High Needs and Early. Allocations are based on the DfE's National Funding Formula (NFF) arrangements.
3. The Budget Working Group (BWG) was established to provide an opportunity for officers and schools/setting to consider the ongoing use of Dedicated Schools Grant funding and make recommendations to the Herefordshire Schools Forum in respect of the 2024/25 High Needs Budget.

High Needs Forecast Outturn 2023/24

4. The DSG is forecast to overspend by £3.7 million in 2023/24. This will increase the council's total DSG deficit of £1.1 million at 31 March 2023 to £4.8 million at 31 March 2024.
5. Key variances from budget include:
 - Complex Needs (£0.4 million)
 - Post-16 Top-ups (£0.5 million)
 - Mainstream Schools Top-ups (net £0.3 million)
 - SEN Protection Scheme (£0.4 million)

Dedicated Schools Grant (DSG) Unusable Reserve

6. The School and Early Years Finance (England) Regulations 2020 stipulate that a deficit on the DSG must be carried forward to be funded from future DSG income unless permission is sought from the Secretary of State for Education to fund the deficit from general resources.
7. The DSG deficit is accounted for as an unusable reserve on the council's Balance Sheet, as permitted via statutory instrument which will remain in place up to March 2026. This enables all local authorities to ring-fence the DSG deficit from the overall financial position in the statutory accounts.
8. Beyond the period of the statutory override, the expectation is that any balance on the DSG Unusable Reserve will transfer back to the council's total Earmarked Reserves. The High Needs deficit will have an impact on the council's overall financial position once the override periods ends and this risk is being managed as part of the council's medium term financial strategy. It should be noted that this issue is a major concern amongst local authorities nationally.

High Needs Funding Allocation 2024/25

9. Government announced the provisional funding allocations for 2024/25 in December 2023, with final allocations published in March 2024. Overall, core schools funding (including funding for mainstream schools and high needs) has increased by £1.8 billion nationally, compared with the prior year.
10. High Needs funding has increased by a further £440 million in 2024/25, representing 4.3% which brings the total High Needs Budget to over £10.5 billion nationally. Whilst High Needs

Block allocations continue to rise, there is an increasing gap between allocated funding and expenditure with the council's cumulative deficit balance forecast at £4.8 million by 31 March 2024 as noted above.

11. The 2024/25 Education and Skills Funding Agency (ESFA) DSG allocations for Herefordshire, are noted in Table 1 below. The High Needs Block allocation for 2024/25 is £23.1 million; whilst this represents an increase of £1.0 million (4.4%) on the 2023/24 allocation, it should be noted that this increase is not sufficient to meet identified pressures in this area.

Table 1: 2024/25 DSG Allocations

	2024/25		2023/24		Change	
	£m	£m	£m	£m	£m	%
Schools Block	129.938		123.213			
Less recoupment	(59.784)		(56.196)			
Less NNDR	(1.314)		(1.292)			
		68.840		65.725	3.115	4.7
High Needs Block	26.820		25.574			
Less recoupment	(3.701)		(3.421)			
		23.119		22.153	0.966	4.4
Early Years Block		16.357		10.075	6.282	62.4
Central School Services Block		0.852		0.810	0.042	5.2
Total DSG Allocation		109.168		98.763	10.405	10.5

Proposed Budget 2024/25

12. A High Needs Budget of £29.7 million is proposed for 2024/25 as detailed below and included at Appendix 1. The proposed budget reflects the forecast overspend position for 2023/24 and includes expected future growth in demand for services, particularly in respect of increases in school top-ups, out of county places and post-16 requirements.
13. The High Needs budget proposed for 2024/25 includes a transfer of £0.7 million from the Schools Block funding, as approved by the Schools Forum, to support increasing costs for the Special Education Needs (SEN) Protection Scheme.
14. The proposed budget will set an in-year deficit of £6.6 million for the High Needs Block. Measures to contain this deficit and manage cost and demand pressures will be reviewed as part of the council's financial and risk management arrangements.
15. The SEN protection scheme acts as an "insurance" scheme to ensure that those schools with higher than average numbers of high needs pupils are fairly funded for their threshold costs and the need for the scheme was positively endorsed by the recent ex-HMI review.
16. The Budget Working Group (BWG) received a presentation on the 11 March 2024 summarising the forecast 2023/24 outturn position and the proposed High Needs Budget for 2024/25. The presentation is set out in Appendix 2.
17. In discussion of the proposed budget, the BWG noted that;
- An overspend of £3.7 million was forecast for 2023/24 as a result of cost pressure in the use of out of county schools, special school and mainstream school top ups.

- Budget proposals were reviewed, with identified cost pressures of £6.6 million in excess of expected funding for 2024/25. It was explained that the budget must be viewed as an interim to be reviewed once the new provision has opened in September 2024.
18. The BWG considered 3 options with regards to the SEN protection scheme and were reminded of the review undertaken by the ex-HMI which confirmed the value of scheme and its priority for funding and that the Schools Forum agreed the transfer of £0.7 million in 2024/25.
 19. The Service Director, Education, Skills and Learning explained that the local authority is working at pace to provide more specialist provision through the resource-based model and it has been really successful, but it takes time. The number of children requiring specialist provision in the county is significantly increasing, particularly notable in the early years although there is an increase across all age ranges. It is the council's wish to continue to support schools and young children. Work would continue to look into other options rather than out of county placements.
 20. The consensus of the BWG was that they have and will continue to support the SEN protection scheme in 2024/25 with the current threshold cap so that schools will receive additional funding for threshold expenditure above £175 x NOR at an estimated cost of £1.15 million which is £0.5 million in excess of the funding transfer from the Schools Block. This will ensure that highly inclusive schools do not have to make budget cuts for SEN funding.
 21. It is essential that the council continues to monitor cost pressures, and the impact of the cumulative deficit balance on the council's overall financial position.

Community impact

22. These services contribute to delivery of the following ambitions in the adopted County Plan for 2020-2024:

Community

- a. Ensure all children are healthy, safe and inspired to achieve;
- b. Protect and improve the lives of vulnerable people.

23. These services contribute to delivery of the following ambitions in the adopted County Plan for 2020-2024: keeping children and young people safe, improving children and young people's health and wellbeing and helping all children and young people succeed.

Environmental Impact

24. This is a consultation with Schools Forum on school and high needs funding and will have no direct environmental impacts. School governing bodies and trustees are responsible for deciding on expenditure and they will be encouraged to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

25. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
26. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. It is a requirement of the Childrens Act (2014) that the needs of children must be and as such all children with high needs are assessed equally through use of a tariff assessment matrix and funding is allocated in accordance with the assessment.

Resource implications

27. The proposed budget will result an in-year deficit of £6.5 million for the High Needs Block. This will increase the cumulative DSG deficit balance to £11.4 million by 31 March 2025. It is essential that the council continues to monitor the performance against budget in 2024/25 to identify and manage emerging cost pressures.

Legal implications

28. The council is required to adhere to the DfE prescribed arrangements for school and Local Authority as set out in regulations. The School and Early Years Finance Regulations (England) Regulations will be updated and laid before Parliament in Spring 2024. These Regulations require the council to determine budget shares for schools maintained by them and amounts to be allocated in respect of Early Years provision in their areas, in accordance with the appropriate formulae which the council must determine.
29. The council must consult its Schools Forum and schools maintained by it about any proposed changes to the funding formulae, in relation to the factors and criteria taken into account, and the methods, principles and rules adopted. The same consultation obligation applies to proposed changes that will affect Early Years providers. The ESFA operational guidance 'Schools revenue funding 2024/25 (Updated August 2023) provides that any consultation should include a demonstration of the effect of modelling such changes on individual maintained schools and academies. Local authorities should communicate proposed formula changes to all bodies affected by the changes.
30. Section 42 of the Children and Families Act 2014 provides that where a council maintains an Education Health Care Plan (EHCP) for a child or young person, the council must secure the specified education provision. The council must comply with this statutory duty.

Risk management

31. The BWG reviews all proposals in detail prior to making recommendations to the Schools Forum. This two stage process helps ensure greater scrutiny of budget proposals and mitigate against any risks that may be identified. Any identified risks will be monitored and managed by the Childrens and Young People Directorate jointly with Schools Forum. Specifically financial risk will be managed throughout the year with the BWG and the council Finance Team.
32. The investment in nurture provision is a longer term preventative measure which attempts to mitigate demand for higher cost provision and keep the high needs costs within the available budget. The use of such preventative measures will be undertaken with the support of the BWG as funding permits.

Consultees

33. All schools have been consulted on the proposals as part of the autumn schools budget consultation. However the high needs budget as presented to Schools Forum on 12 April 2024 varies significantly from that envisaged in the consultation with schools. The SEN protection scheme continues to be strongly supported by schools. A presentation of the budget proposals was given the Budget Working Group on 11 March 2024 and no amendments were suggested.
34. The Budget Working Group was consulted on 11 March 2024 and comments are included in this report at paragraphs 17-20 above.

Appendices

Appendix 1 – High Needs Budget Requirement 2024/25

Appendix 2 – Presentation to Budget Working Group 11 March 2024

Background papers

None identified.

Glossary of terms, abbreviations and acronyms used in this report:

BWG	Budget Working Group (of Schools Forum)
CAMHS	Children and Adolescent Mental Health Service
DSG	Dedicated Schools Grant
DfE	Department for Education
EHCP	Education Health Care Plan
ESFA	Education and Skills Funding Agency
H3	Home and Hospital Teaching Team (Hub, Home, Hospital)
NOR	Number on Roll, typically at a school
PRU	Pupil Referral Unit
SEN	Special Education Needs
SEND	Special Education Needs and Disability
TPG	Teachers Pension Grant