

<b>Report to:</b>	<b>SCHOOLS' FORUM</b>
<b>Date:</b>	19 January 2023
<b>Reporting Officer:</b>	Tim Bowman, Director of Education, Tameside and Stockport
<b>Subject:</b>	<b>HIGH NEEDS BUDGET AND DEFICIT RECOVERY UPDATE</b>
<b>Report Summary:</b>	This report provides an update on the DSG deficit position in both 2022-23 and 2023-24 along with updates on the Delivering Better Value programme and the action plan to address spending pressures.
<b>Recommendations:</b>	Members of the Schools' Forum are requested to note and support the contents of the report.
<b>Corporate Plan:</b>	Education finances significantly support the Starting Well agenda to provide the very best start in life where children are ready to learn and encouraged to thrive and develop, and supports Aspiration and Hope through learning and moving with confidence from childhood to adulthood.
<b>Policy Implications:</b>	In line with financial policy and framework.
<b>Financial Implications:</b> <b>(Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b>	<p>The High Needs funding is part of the Dedicated Schools Grant (DSG). It is a ring fenced grant solely for the purposes of schools and pupil related expenditure.</p> <p>The way in which local authorities account for DSG deficits has been altered by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 (SI 2020 No 1212), made by what is now the Department for Levelling Up, Housing and Communities (DLUHC), which require DSG deficits to be held in a separate reserve in local authorities' accounts. There has been an extension to this accounting treatment for a period of 3 years taking this up to financial year 2025-26 after which the statutory override will be removed as there is expectation on LA's will have managed the deficit and secured a balanced DSG budget during this period.</p> <p>There is currently therefore no immediate call on the Council's balances to fund this deficit.</p> <p>There is however, a requirement from the DfE to produce a high needs deficit recovery plan, and as a consequence, Tameside has been invited to take part in the Department for Education's Delivering Better Value programme. Participation in this programme will be critical in supporting the Local authority (LA) in understanding the options available to manage the high needs deficit recovery plan and create a high needs system that meets demand in a way that is equitable and financially sustainable.</p>
<b>Legal Implications:</b> <b>(Authorised by the Borough Solicitor)</b>	<p>As set out in the main body of the report the council has to manage the current budget deficit with the expectation that the budget will be balance by 2026 whilst still meeting its statutory responsibilities</p> <p>The report also provides an update on The Delivering Better Value Programme (DBV) which is commissioned by the DfE to support local authorities to identify the highest impact, sustainable changes</p>

that it can make to better support local children and young people with SEND.

**Risk Management:**

The correct accounting treatment of the DSG is a condition of the grant and procedures exist in budget monitoring and the closure of accounts to ensure that this is achieved. These will be subject to regular review as the DfE's current expectation is that LA's balance their in year spending through their deficit management plan, there is a real risk that Tameside will not be able to balance the high needs budget within current funding levels and demand on specialist places and provision..

There is the risk that the number of EHCPs will continue to grow despite the management action being taken outlined in the report, which could impact on the LA's ability to reduce the deficit.

There is a risk that the DfE Green paper will not move at a sufficient pace to make enough impact to change current demand.

**Access to Information:**

**NON-CONFIDENTIAL**

This report does not contain information which warrants its consideration in the absence of the Press or members of the public.

**Background Information:**

The background papers relating to this report can be inspected by contacting Caroline Barlow – Assistant Director of Finance, Financial Management, Governance, Resources and Pensions



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## 1. INTRODUCTION

- 1.1 This report provides an update in relation to the High Needs DSG deficit position in 2022-23 and the updated funding allocation for 2023-24.
- 1.2 The report gives an update on the DfE's Delivering Better Value programme that Tameside have been invited to take part in.
- 1.3 The report provides an update on the proposals and work streams already in the Management Action plan to start to address the DSG High Needs deficit.

## 2. HIGH NEEDS BUDGET POSITION 2022-23

- 2.1 The high needs has been updated following the autumn term real time exercise and the impact on the budget is shown in table 1 below.

**TABLE 1 – High Needs Budget Position 2022-23**

High Needs Budget Position 2022-23	2022-23 Original Forecast £000	2022-23 Forecast Budget Summer Term £000	2022-23 Forecast Budget Autumn Term £000	2022-23 Variance £000	% Change
Mainstream	3,642	4,055	4,400	(758)	20.81%
Special	12,129	12,697	12,842	(713)	5.88%
TPRS	2,767	2,771	2,777	(10)	0.37%
Resourced Units	523	580	597	(74)	14.16%
Independent Schools	2,500	3,434	3,723	(1,223)	48.91%
PVI Settings	77	94	131	(54)	70.51%
NMSS	385	409	443	(59)	15.27%
OOB (Pre 16)	1,478	1,833	1,890	(412)	27.91%
Post 16	3,051	3,508	3,672	(621)	20.36%
Hospital Education	95	95	95	0	0.00%
SEN Support Services	1,882	1,882	1,882	0	0.00%
Income OOB	(405)	(388)	(458)	53	13.13%
Income OOB	(160)	(160)	(160)	0	0.00%
<b>Total Spend</b>	<b>27,964</b>	<b>30,810</b>	<b>31,834</b>	<b>(3,872)</b>	<b>13.85%</b>
Original Funding	31,617	31,617	31,617	0	0.00%
Supplementary Grant	1,300	1,300	1,300	(0)	0.01%
Academy Recoupment	(4,125)	(4,125)	(4,125)	0	0.00%
Adjusted Import / Export	0	(51)	(75)	75	100.00%
<b>Total Funding</b>	<b>28,792</b>	<b>28,741</b>	<b>28,717</b>	<b>75</b>	<b>-0.26%</b>
<b>In Year Deficit Before Growth</b>	<b>828</b>	<b>(2,069)</b>	<b>(3,117)</b>	<b>3,947</b>	
Projected in Year Growth:					
Summer Term Real Time	2,341	(579)	(579)		
Autumn Term Real Time	1,823	1,823	610		
Spring Term Real Time	1,237	1,237	1,237		
<b>Total Growth</b>	<b>5,401</b>	<b>2,481</b>	<b>1,268</b>		
0.5% transfer Schools Block	0	0	0		
<b>High Needs Block In Year 2022-23 Deficit</b>	<b>(4,573)</b>	<b>(4,550)</b>	<b>(4,385)</b>		

- 2.2 The position is slightly improved on the summer term and is now forecasting an in-year deficit of £4.385m, this is before any transfer from the schools block or any savings identified, as part of the high needs review.
- 2.3 The agreed transfer from schools block in 2022-23 was £0.954m so this will reduce the in-year deficit to £3.431m.

- 2.4 The proposed savings identified total £0.688m and are detailed in table 2 below .These savings would further reduce the in-year deficit to £2.743m, however, there is a risk attached if these savings do not materialise in full this financial year. A further update on progress is included in Section 6.

**TABLE 2 – Proposed Savings**

<b>Planned Savings</b>	<b>2022-23 £000</b>
Resource Base Review	152
Growth and Overcapacity	50
Contract Review	288
TPRS and improved inclusive practice	198
<b>Total Savings</b>	<b>688</b>

### 3. GROWTH IN YEAR

- 3.1 The spend against forecast Growth continues to be broadly in line with the planned budget.
- 3.2 The original budget included growth of £5.401m and at December 2022, 77% of this budget has been spent. Growth was predicted to be spent more or less equally over the financial year so we would have expected to have spent around 75% of the budget so far, at 77% this could indicate growth could be slightly higher than expected. Also some of the growth appears in areas not anticipated as Table 3 below shows. There continues to be higher than expected growth in the Independent Sector, Out of Borough placements and Post 16. Whereas Growth in mainstream and special schools is lower than expected. Growth is also currently lower in the resourced sector and this is due to some delays in establishing new resourced bases. Growth will continue to be monitored closely and a more detailed review will need to be carried out following updated intelligence from the SEN team as well as updates on the new resourced units.

**TABLE 3 – Review of Growth Spend to date**

<b>Sector</b>	<b>Growth Provision £000</b>	<b>Actual Growth to Date £000</b>	<b>% Spent</b>	<b>Remaining Growth £000</b>	<b>% Left</b>
Mainstream	2,108	872		1,236	
Special	1,387	724		663	
Resourced Units	767	74		693	
Independent Schools	908	1,307		(399)	
PVI	0	54		(54)	
NMSS	0	59		(59)	
OOB (Pre 16)	0	412		(412)	
Post 16	231	631		(400)	
<b>Totals</b>	<b>5,401</b>	<b>4,133</b>	<b>77%</b>	<b>1,268</b>	<b>23%</b>

- 3.3 In line with the growth spend above the number of EHCP'S has continued to increase in line with predictions. Table 4 below shows the number of EHCP's was expected to grow by 303 new plans in this financial year. Currently there has been growth of 203 plans at December 2022 leaving provision for further growth of 100 plans expected by March 2022.

**TABLE 4 – GROWTH IN EDUCATION HEALTH & CARE PLANS (EHCP'S)**

	Total Number of EHCP's	Growth in NOR	Growth %
No of EHCP's April 2022	1,974		
Expected Growth by March 2022	2,277	303	15%
Growth at December 2022	2,177	203	67%
Remaining Growth		100	33%

**4. HIGH NEEDS `BUDGET 2023-24**

- 4.1 Following the update at last forum meeting in September 2022, the provisional high needs funding settlement has been updated with the December 2022 announcements and these are included in Table 5a and 5b below along with a comparison to 2022-23.

**TABLE 5a – Updated High Needs Settlement 2023-24**

	2022-23 Allocation £000	2023-24 Allocation £000	Difference £000	%
2022-23 Historic spend factor	8,818	8,818	0	0.00%
2022-23 Other proxy factor funding	22,703	26,807	4,104	18.08%
2022-23 Funding floor factor	0	0	0	0.00%
2022-23 Gains limit adjustment	(2,988)	(3,479)	(491)	16.43%
Additional funding for special free schools	42	0	(42)	-100.00%
Supplementary funding	£1,300	0	(1,300)	-100.00%
<b>Adjusted 2022-23 baseline</b>	<b>29,875</b>	<b>32,146</b>	<b>2,271</b>	<b>7.60%</b>
Basic Entitlement	3,633	£3,981	348	9.58%
AP Factor	187	192	5	2.55%
Less Import / Export	(852)	(810)	42	-4.93%
<b>Published December 2022</b>	<b>32,843</b>	<b>35,509</b>	<b>2,666</b>	<b>8.12%</b>
<b>New Additional Funding</b>	<b>0</b>	<b>1,636</b>	<b>1,636</b>	
<b>Final Allocation Published December 2022</b>	<b>32,843</b>	<b>37,144</b>	<b>4,301</b>	<b>13.10%</b>
Less Recoupment	(4,125)	(4,264)	(139)	3.37%
<b>Total HN Block (After Recoupment)</b>	<b>28,718</b>	<b>31,245</b>	<b>2,527</b>	<b>8.09%</b>

*Note: table includes roundings*

- 4.2 This funding is subject to further updates in the financial year 2023-24 to reflect 2023-24 high needs places and import / export adjustments.
- 4.3 Tameside are seeing an increase in the National Funding Formula allocation of £2.666m, 8% and this is after the schools supplementary funding from 2022-23 has been rolled into the 2023-24 baseline and the budget is updated with growth in pupil numbers from the October 2022 census as below.

**TABLE 5b – Updated Pupil Numbers funded in High Needs Block**

Basic Entitlement	2022-23	2023-24	Difference
Increase in Numbers	773	847	74
Cash Value £	4,700	4,700	0.41
Total Allocation £	3,632,845	3,980,968	348,123

- 4.4 In addition, the government has announced it will invest an extra £2.3 billion per year in schools over the next two years. The actual increase to the education budget is £2 billion after an adjustment has been made to remove the element that related to the Health and Social Care Levy. Of this increase, the high needs block will benefit from an increase of £400 million and in Tameside this means an additional £1.636m taking the overall increase to £4.301m, 13% compared to 2022-23.
- 4.5 Local Authorities (LA's) are required by the Dedicated Schools Grant (DSG) conditions of grant to pass on to special schools the allocations of additional funding using a proportion of their additional high needs funding in 2 ways:
- For 2023-24, a Minimum Funding Guarantee (MFG) will be applied to special schools budgets. Previously this has always been set at 0% however, for 2023-24, it has been set at 3% (compared to the 2021-22 baselines)
  - For 2023-24, special schools and Alternative Provision (AP) Schools will receive a separate additional allocation amounting to 3.4% of their total place and top up funding allocated in 2022-23.
- 4.6 The additional 3.4% funding allocation will be excluded from the MFG calculations, so that schools receive both the 3% MFG increase over 2 years and the additional 3.4% in 2023-24.
- 4.7 The LA is currently modelling how this funding will be passported to special and AP schools and both elements of the additional funding will be included in the budget allocations distributed to schools end of February.
- 4.8 The additional funding to both schools and the high needs budget is good news and will go some way to supporting the pressures schools are facing in terms of pay awards and inflation. And although it will in some way mitigate some of the pressure on the high needs deficit budget there will continue to be a significant deficit to manage both on the in-year and cumulative deficit position.
- High Needs Commissioned Places' in special schools and AP Sept 2023**
- 4.9 The number of commissioned places have been agreed with AP & special schools for September 2023 and are shown below in Table 6a and 6b .Details of places commissioned in resourced units is included in Section 6.

**TABLE 6a – Commissioned Places in Alternative Provision (AP)**

Pupil Referral Service	Current No's Sep-22	Commissioned No's Sep-23
Tameside PRS	130	130

**TABLE 6b – Commissioned Places in special schools**

Special Schools	Current No's Sep-22	Commissioned No's Sep-23
Hawthorns	194	220
Thomas Ashton	93	100
Oakdale	149	146
Cromwell High	137	140
Samuel Laycock	215	230
<b>Total</b>	<b>788</b>	<b>836</b>

## 5. DELIVERY BETTER VALUE (DBV) UPDATE

- 5.1 The programme aims to support local authorities to improve delivery of SEND services for children and young people while ensuring services are sustainable. The programme will provide dedicated support and funding to LA's with less severe deficits than those in the Safety Valve programme.
- 5.2 The LA's are split in 3 tranches and Tameside are part of Tranche 2.
- 5.3 The programme will comprise of two phases as follows:

**Phase 1: 6 months** – supported by a delivery partner, SEND Advisers and Financial advisers and involving comprehensive diagnostics comprising:

- Local area stocktake (assessment of existing processes, plans, capability, relationships, etc.).
- Facilitation of key stakeholder engagement for each authority
- Data analysis and assurance.
- Identification of root cause/underlying cost drivers and mitigating solutions/reforms.
- Improvement plan including reform implementation critical path
- A quality assured DSG management plan.

DfE will provide a small grant to support data analysis and assurance at the beginning of this phase.

DfE will agree with each LA critical elements of its action plan to be funded at the end of phase 1.

**Phase 2: 18 months** – supported by SEND Advisers and regional teams. Implementation of action plans produced in phase 1, with critical elements funded through Section 14 grants.

- 5.4 Newton Europe, in collaboration with the Chartered Institute of Finance and Accountancy (CIPFA) is working with the DfE to deliver phase 1 of the programme and the timeline for Phase 1 work with Tranche 2 LA's is covered below:

Evaluation & Sep Up	Data Prep & Analysis	Dec 2022 – Feb 2023
Module 1	Baselines & Forecasts	Early March 2023
Module 2	Root Cause Damage	Late March 2023
Module 3	Implementation Planning	May & June 2023
Grant Application	Submit application for funding	End of June 2023

## 6. UPDATE ON MANAGEMENT ACTION PLAN

### 6.1 Growth and Over Capacity Funding

Further to a report approved by Schools Forum 24 November 2020, regarding funding additional places in specialist settings, the report looks to bring the local approach in line with national funding guidance. The first 5% of growth after the annual place commissioning has taken place will not be funded. Along with this where places have been commissioned but not filled in specialist settings, consideration will be given to offsetting top-up payments against unutilised place funding. It was anticipated rather than an actual savings there would be a potential cost avoidance of £50,000 per annum. In 2022-23 this has already been reached and currently estimated savings will total approx. £82,000 in 2022-23 and affect 3 schools.

### 6.2 Resourced Base Review

As part of the specialist provision, the council have consulted on implementing additional local resource bases in mainstream settings. This is considered good practice in terms of keeping pupils in the local community to build networks and support inclusive practice.

This proposal sought to establish 40 additional local places in 2021-22, a further 40 places in 2022-23 and 40 more in 2023/24.

Progress to date is included in Table 6 below.

A total of 41 new places were established in September 2021 and in September 2022 there has been some reconfiguration of provision along with extensions in some of the established bases. Although no new bases have been opened, in September 2022 work continues to expand this model both in the primary and secondary settings and discussions are ongoing with a number of schools.

This proposal does not offer financial savings but does help in addressing demand in borough and avoid more costly placements in independent and non-maintained schools, average cost of a placement in an Independent setting costs £35,000 per placement as opposed to £10,000 per placement in a local base.

**TABLE 6 – Resourced Places**

<b>Resourced Places</b>	<b>Existing Places</b>	<b>New Places Sept 21</b>	<b>New Places Sept 22</b>	<b>New Places Sept 23</b>	<b>Total Places</b>
Corrie		10			10
Russell Scott	6	4		-9	1
Rosehill		10	3	2	15
Oakfield	8	8	1	-1	16
Linden Road	4				4
Greenside	10	10	2		22
St John Fisher	12				12
St Thomas Moore	19	-1	-2	-3	13
Hyde High	2		3		5
<b>Total Places Established</b>	<b>61</b>	<b>41</b>	<b>7</b>	<b>-11</b>	<b>98</b>

### 6.3 Top Up Rate Review

Taking into consideration that the Green Paper proposes the implementation of a new national framework of banding and price tariffs and the DBV programme is due to start this month which will include a review of top up rates the work that had started in relation to the



Matching Provision to Need (MPTN) document has been paused. Further updates will follow as part of the DBV programme updates.

#### **6.4 Contract Review**

One of our special schools has a PFI style contract. A review of this contract has been undertaken to see if it represents value for money and it is envisaged savings could be found from this contract. Elected members at the Executive Council have requested that the Director of Education brings back a further report to Cabinet setting out the options to terminate the Facilities Management (FM) agreement with both Great Academies and Samuel Laycock. This will reduce the liabilities the council retains under the FM Agreement with the LEP given it no longer has the funding to address these. This work is progressing and on completion it is expected potential savings to the High Needs block as a result of this review will be approximately £279,000 per annum.

#### **6.5 Tameside Pupil Referral Service (TPRS) Funding and Inclusive Practice**

A review of the funding model for TPRS was considered, TPRS received funding removed from schools in line with guidance for the funding to follow the child where exclusions occur and give to the admitting schools, where the pupil had not been admitted to a new school by the end of the financial year. This funding was on top of the council commissioning a number of alternative provision places from TPRS. After review and discussion it has been agreed that this funding will instead be returned to the High Needs Budget. This realised savings of £61,112 in 2021-22 and is on target to achieve approx. £160,000 in 2022-23.

In addition, a review of the number of places commissioned and inclusive practice with schools will continue to explore appropriate funding through working groups with the Tameside Primary Consortium (TPC) and Tameside Association of Secondary Headteachers (TASH).

#### **6.6 Growth and Over Capacity Funding**

Further to a report approved by Schools Forum 24 November 2020, regarding funding additional places in specialist settings, the report looks to bring the local approach in line with national funding guidance. The first 5% of growth after the annual place commissioning has taken place will not be funded. Along with this where places have been commissioned but not filled in specialist settings, consideration will be given to offsetting top-up payments against unutilised place funding. Again there is not a saving in this proposal just potential cost avoidance and to date in 2022-23 this will be approx. £82,000 and affects 3 schools.

### **7. CONCLUSION**

7.1 The management plan will be updated when final decisions on the funding allocations to schools are known in the next couple of months. This will include a full update on savings achieved and impact on future years.

7.2 Work on the DBS programme will start over the few months and this work will be critical to understanding the options available to managing the deficit and management recovery plan as well as understanding the grants available to us to support future implementation and delivery plans.

### **8. RECOMMENDATIONS**

8.1 As set out at the front of the report.