

ITEM x High Needs Block Q2 Forecast Outturn

High Need Working Group – 01/11/2022

Recommendation

The High Needs Working Group is asked to:

Note the Quarter 2 forecast outturn position for 2022/23 and recent updates on the Deficit Recovery Plan.

1. Introduction

- 1.1 This High Needs paper provides an update position on the High Needs Block forecast as well as the grant allocation for the 2022/23 financial year.

This block represents one of the four funding blocks within the Dedicated School Grant (DSG) with high financial and operational risk to the Council. The DfE assumes 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.

2. High Needs DSG Allocation for 2022/23

- 2.1 The initial allocation for 2022/23 was £75.268m. The Education and Skills Funding Agency (ESFA) later reduced the allocation by £36k to £75.232m. Reference ESFA 19 July 2022 Published data. Appendix (A) below shows detailed breakdown of how the initial budget was allocated and Q2 forecast.

3. Forecast Outturn for 2022/23

- 3.1 The forecast outturn at Q2 for 2022/23 is £76.551m with a budget of £75,268m hence a reported variance is £1.283m compared to £3.468m reported last year. The sharp fall in overspend by £2.185m when compared to last year's position represents a significant improvement, notwithstanding some notable risks from recent demands from our special schools for additional funding.

4. Deficit Recovery Plan

- 4.1 The DfE current regulations expects Local Authorities with an overall deficit on its DSG Account at the end of the financial year or whose DSG surplus has significantly reduced during the year to submit a plan (DRP) to the ESFA which demonstrates how the LA plans to recover the deficit within five years or how it intends to manage it.
- 4.2 The Department for Education (DfE) recently introduced an additional intervention project called the 'safety valve' (SV) programme. This initiative is designed to assist local authorities with the very highest percentage of cumulative DSG deficits on their balance sheet to reduce the deficit and bring it into a balance position within 5 years.

4.3 This intervention will be implemented once the local authority reaches an agreement with the DfE to meet some agreed outturn targets over 5 years. 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.

4.4 The table below shows the revised balance of the Overall DSG deficit position at year end and after discussion and recommendations from the DfE Safety Valve team regarding the accounting for DSG blocks at year end. The Local Authority is yet to account of additional commitments and payments related to the 31st of March position. See table 1 below.

Table 1. Revised Cumulative DSG position. – Post Safety Valve

| Details | Balance b/d | DfE - Safety Valve | Commitment /accrued | Balance b/d post Safety Valve |
|--------------------|---------------|--------------------|---------------------|-------------------------------|
| DSG Reserves | Total £m | Total £m | Total £m | Total £m |
| High Needs Block | 27,688 | -3,186* | 0 | 24,502 |
| Early Years | -2,982 | 612 | 2,370 | 0 |
| Schools Block | -3,411 | 2,574 | 837** | 0 |
| Balance b/d | 21,295 | 0 | 3,207 | 24,502 |

DfE agreed in principle for those commitments to be actioned. * Payment for the agreed spot purchase of therapies **

5 Performance Measurement – Reported outturn variance 2020/21 – forecast 2022/23

5.1 Table 2 below presents a quick performance measurement on the In- year variance and the trend analysis. The LA must ensure that it meets the £1.283m outturn variance as reported in the Safety Valve forecast reports submitted to in September 2022.

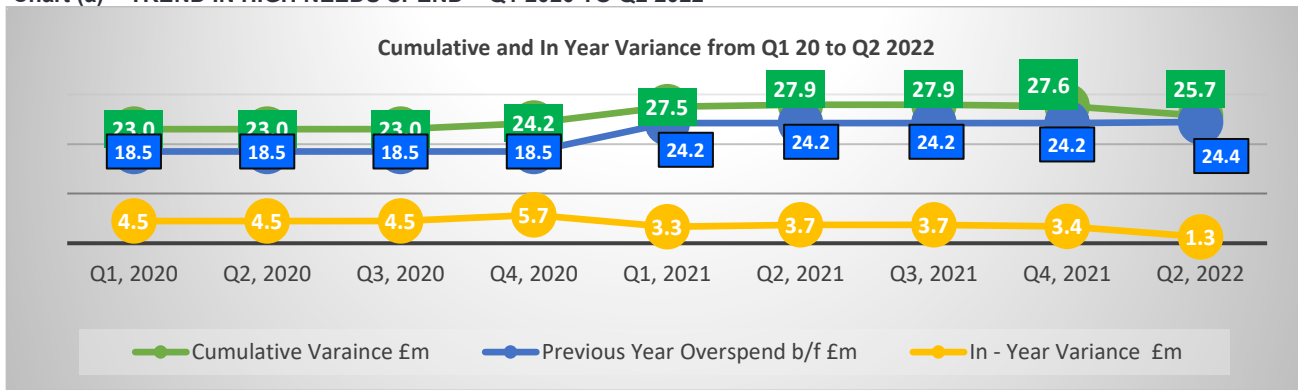
Table 2 – In year variance target

| Performance Measurement | 2020-21 £,000 | 2021-22 £,000 | 2022-23 £,000 |
|-------------------------------------|------------------|------------------|------------------|
| Deficit Recovery Plan - Projections | 4,472 | 4,105 | 1,283 |
| Actual Outturn | 5,744 | 3,468 | 1,283 |
| Deviation from target | 1,272* | -637 | 0 |

The £1.2m deviation from the plan in 2020/21 was due unexpected historical funding in dispute which was resolved that year and not accrued*.

5.2 As shown in Chart (a) below, there appears to be significant improvement over the last few years. The cumulative overspend position has been adjusted down by £3.186m by the safety Valve Team Team recommendations from the credit balances from the other DSG blocks. Reference Table 1 above. The forecast cumulative balance is expected to be [28.951m less **£3.186m** = £25.785m]

Chart (a) – TREND IN HIGH NEEDS SPEND – Q1 2020 TO Q2 2022



5.3 Maintained Special Schools:

The reported £1.973m overspend in appendix (a) maintained special schools is due to increased demand above the allocated budget by approximately 78 pupils.

The number of pupils across the six special schools increased as a result continued expansion by the schools. Most pupils placed at these provisions have severe needs hence additional funds allocated which is value for money when compared to independent special schools. The top up rates were increased by 5% from April 2022. Most of the special schools are demanding additional funds to meet extra cost related specific complex cases.

5.4 FE Colleges:

Pupil numbers in FE Colleges continued to increase and most places are much more expensive. Post-16 cohort currently makes up almost 23 per cent of EHCPs. Finance team is planning to work more closely with the service to determine the level of risk in this area.

6 Budget Risks:

6.1 The following are some key financial risks:

- (a) Increase in demand for SEND support may rise considerable year-on-year with significant number of children and young people with an Education, Health and Care Plan (EHCP) in England.
- (b) Request for additional funding from special schools due to inflationary concerns and inadequate provision of therapies services from the current contract with the NHS.
- (c) More funds would be required to meet the growing cluster of schools / cohort of the locality project and proposed new government legislation on SEND review.
- (d) Increase in top up funding from special schools. The DfE suggested that special schools should discuss with their local authority any increases as part of the top-up funding paid from authorities' high needs budgets. The supplementary funding for high needs is an increase of 4% to the high needs' allocations but Croydon funded the Special School by 5% which is higher than the DfE allocated to the block.

Recommendation

The High Needs Working Group is asked to:

Note the Q2 Forecast Outturn position for 2022/23 and revised year end position based on the Safety Valve recommendations.

Appendix A – High Needs Q2 Forecast Outturn for 2022/23

| Ref. | 0-25: Schools Provisions / Service | Final Outturn 2020/21 £,000 | Forecast Outturn 2021/22 £,000 | Current Budget 2022/23 £,000 | Forecast Outturn 2022/23 £,000 | Forecast variance 2022/23 £,000 |
|---------|--|--------------------------------|-----------------------------------|---------------------------------|-----------------------------------|------------------------------------|
| Line 1 | EHCP Pupils: Croydon Mainstream Schools + Academies | 5,657 | 5,984 | 5,932 | 6,042 | 110 |
| Line 2 | Croydon Enhanced Learning Provision | 2,258 | 2,534 | 2,784 | 2,784 | 0 |
| Line 3 | Croydon Special Schools (including 6th forms) | 21,858 | 22,495 | 23,650 | 25,623 | 1,973 |
| Line 4 | Small schools' factor | 144 | 144 | 149 | 144 | -5 |
| Line 5 | Pre & Post16 Independent & Non-Maintained Provision | 11,099 | 10,830 | 11,180 | 10,841 | -339 |
| Line 6 | Croydon pupils in out of borough-maintained schools | 3,679 | 3,955 | 4,149 | 5,373 | 1,224 |
| Line 7 | Early Years (0-5) | 966 | 966 | 1,200 | 800 | -400 |
| Line 8 | FE colleges | 5,272 | 4,672 | 4,293 | 4,743 | 450 |
| Line 9 | Out of borough Hospital Education cost | 110 | 385 | 385 | 235 | -150 |
| Line 10 | Croydon Pupil Referral Units | 3,396 | 3,395 | 3,395 | 3,395 | 0 |
| Line 11 | Alternative Provision (including Home Tuition & Fair Access) | 1,070 | 1,361 | 1,361 | 1,361 | 0 |
| Line 12 | Beckmead Group (Special School) | 5,584 | 5,168 | 5,259 | 5,259 | 0 |
| Line 13 | Commissioned Outreach | 175 | 120 | 40 | 40 | 0 |
| Line 14 | Additional Grant allocated to SEN Transformation Model | 0 | 379 | 2,485 | 1,075 | -1,410 |
| Line 15 | Cluster of Schools Project | 301 | 1,155 | 1,868 | 1,868 | 0 |
| Line 16 | Teachers' Pension | 0 | 1,037 | 1,037 | 1,037 | 0 |
| | Sub Total (a) | 61,569 | 64,580 | 69,167 | 70,620 | 1,453 |
| Line 17 | SEN Admissions and Support | 1,745 | 2,270 | 2,067 | 1,947 | -120 |
| Line 18 | Virtual School | 670 | 720 | 720 | 720 | 0 |
| Line 19 | Communication Support C | 1,338 | 1,337 | 1,320 | 1,320 | 0 |
| Line 20 | Primary PRU Intervention Programme | | 0 | 0 | 0 | 0 |
| Line 21 | SEN Transport cost | 250 | 250 | 250 | 250 | 0 |
| Line 22 | Therapies. Speech and Language | 884 | 1,085 | 968 | 968 | 0 |
| Line 23 | Croydon University Hospital Education Provision | | 0 | 0 | 0 | 0 |
| Line 24 | Inclusion support | 350 | 450 | 450 | 400 | -50 |
| Line 25 | Perip-Hearing Impairment Team | 342 | 342 | 326 | 326 | 0 |
| | Sub Total (b) | 5,579 | 6,454 | 6,101 | 5,931 | -170 |
| Line 26 | Total in-year Position | 67,148 | 71,034 | 75,268 | 76,551 | 1,283 |
| Line 27 | Cumulative Overspend B/f | | | | | 27,668 |
| Line 28 | Forecast Cumulative Deficit (£27.668m + £1.283m) | | | | | 28,951 |
| Line 29 | DfE - Target DSG Deficit (Safety Value) - Expected funds other blocks £3.186m | | | | | -3.186 |
| Line 31 | Total in-year Position | 67,148 | 71,034 | 75,268 | 76,551 | 25,765 |

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