

HNB Deficit Recovery Strategy 2022/3 – 2028/9 Update

Report being considered by:	Heads Funding Group on 11 th January 2023		
Report Author:	Jane Seymour, Michelle Sancho		
Item for:	Information	By:	All Forum Members

1. Purpose of the Report

1.1 To provide an update on the HNB deficit recovery strategy reported to the HFG / Schools Forum in November 2021

2. Recommendation

2.1 That the Schools' Forum notes this report

Will the recommendation require the matter to be referred to the Council or the Executive for final determination?	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
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3. Introduction

3.1 The High Needs Block has been under pressure for several years with deficit budgets being set from 2016/17 onwards.

3.2 The rising costs in the HNB can be primarily attributed to an overall increase in the number of children with EHCPs placed in all settings, including mainstream and specialist, from ages 0 to 25.

3.3 However, there are specific areas of cost increase which have had the most impact on the HNB. These are set out below:

- Increase in children moving from mainstream to independent, non maintained and free special schools, mainly children with SEMH or autism.
- Increase in children with complex needs requiring placement in local maintained special schools (Castle and Brookfields) at reception age
- Increase in children moving from mainstream to local maintained special schools (all age groups but particularly Year 7)
- Increase in age range for EHCPs from age 19 up to age 25, including young people with high needs placed in FE colleges
- Increase in EHCPs in mainstream schools

3.4 West Berkshire Council has robust systems in place to ensure that EHCPs are only agreed when it is warranted and similarly that specialist placements are only made when

other options have been exhausted. Nevertheless, in spite of robust control measures, we have seen an overall increase in EHCPs of 41% since the Children and Families Act came in in 2014, which inevitably has a significant impact on the HNB. Similarly, spend on independent, non maintained and free school places has continued to rise.

3.5 HNB allocations have increased in recent years but increases have not kept pace with the rise in demand. The current estimated position for 23-24 is that cumulated overspends up to March 2023 will be £6,346,744 and the 23-24 in year budget will exceed the HNB allocation by **£2,534,404**, giving a total overspend of £8,881,148.

3.6 In November 2021, a report was submitted to the HFG / Schools Forum which modelled the changes in placement patterns which would be needed in order to achieve expenditure within budget by 2028-29.

3.7 Whilst increasing costs in local maintained special schools are cited as one of the pressures on the HNB, it is not anticipated that placements in this sector can be reduced given the rising number of children with very complex learning difficulties and associated needs, over which the LA has no control.

3.8 The focus in the recovery strategy was therefore on reducing expenditure on independent, non maintained and Free special school placements and also on I-College placements, as these placements have the potential to be reduced through earlier intervention, including the strategies currently funded as “invest to save” initiatives, enabling more young people to remain in their mainstream schools.

4. SEND Strategy / Invest to Save initiatives

4.1 The SEND Strategy 2018-23 seeks to:

- Increase capacity of mainstream schools to meet needs of children with SEND through training, guidance and specialist support
- Increase local specialist provision for children with EHCPs to reduce external (more costly) placements
- Improve the post 16 offer for young people with SEND, in particular by increasing supported internships and supporting more young people in to employment
- Improve the transition from children’s to adults’ Social Care and Health services
- Improve access to Health and other services which will improve health and wellbeing of young people with SEND and their parents / carers.

4.2 The SEND Strategy is monitored by the SEND Strategic Partnership Board which includes representation from all stakeholders including parents, schools and other agencies. The SEND Strategy 2018-23 had no additional funding allocated for its implementation other than capital funding for new provision for SEMH/autism.

4.3 Funding to support the SEND Strategy has been sought through the HFG and Schools Forum since implementation. Not all requests have been approved, but a number of invest to save initiatives were agreed between 2020-21 and 2022-23, all of which are consistent with the strategy and in particular with the need to strengthen capacity in mainstream schools in order to reduce external placements. Some of these initiatives are now permanently funded through the HNB as they were agreed to have demonstrated a positive impact, including cost avoidance in relation to external placements.

4.4 New secondary provision for students with SEMH and autism, The Castle @Theale, opened in September 2022, with an initial cohort of 12 children. This will increase to a total of 42 students over approximately 5 years.

4.8 There are plans in place to open primary SEMH/ Autism provision by 2024 at Kennet Valley Primary School. This provision will offer 12 places.

5. Reduction in HNB expenditure over 6 year period to 2028-29

5.1 When the Deficit Reduction Strategy was put in place in November 2021, the aim was to achieve savings over a 6 year period in line with the in year deficit in the HNB, which at that time was estimated to be £2,147,537.

5.2 It was proposed that we should aim to achieve this by reducing placements for children with EHCPs in both I-College and independent, non maintained and free schools by providing earlier targeted support in mainstream schools.

5.2 The target amounts for cost reduction are shown in table 1 below. This table is taken from the November 2021 report. It should be noted that the 2022-23 budget figures in the table were the estimated figures in November 2021. The actual budgets set for 2022-23 may differ due to later updates to the 22-23 budget requirements prior to the final budget being set.

Table 1

Budget / cost centre	2022-23 Budget needed	Comb total	% of total spend	% of total saving	Reduction required over 6 years	2028-2029 Budget
I-College	1,597,160		22%	11%	236,229	1,360,931
Free special schools	331,696)))
Ind special	4,335,930)5,783,926	78%	89%)1,911,308) 3,872,618
Non m/t special	1,116,300)))
TOTAL	7,381,086		100%		£2,147,537	5,233,549

5.3 The target reduction in cost of children with EHCPs at I-College was based on a reduction of 13 children by 2028, bringing the total number down from 84 to 71. (This figure relates to all children at I-College, not just those with EHCPs. The number at I-College who have EHCPs and are funded from the HNB is currently 29). The projected savings assumed an average cost per child of £19,013.

5.4 The target reduction in external placement costs was based on placements reducing from 107 to 71 over 6 years and assumed an average placement cost of £54,055. This is shown in Table 2 below.

Table 2

Financial year	No. of placements	Reduction	Saving	Cost
2022-23	107			5,783,926
2023-24	103	-4	216,220	5,567,706
2024-25	98	-5	270,275	5,297,431
2025-26	92	-6	324,330	4,973,101
2026-27	86	-6	324,330	4,648,771
2027-28	80	-6	324,330	4,324,441
2028-29	75	-5	270,275	4,054,166
	71	-4	216,220	3,837,946
Total		-36	1,945,980	

6. Update on current and 23-24 projected costs for children with EHCPs at I-College

6.1 Table 3 below shows the 22-23 I-College budget, the predicted spend for 22-23 and the estimated budget for 23-24:

TABLE 3 PRU Budgets	2021/22 Budget		2022/23 Budget			2023/24	Difference 22/23 budget & 23/24 prediction
	Budget £	Outturn £	Budget £	Forecast £ (Month 9)	Over/ (under) £	Estimate £	
PRU Top Up Funding (90625)	821,920	861,561	830,140	859,140	29,000	881,000	+50,860
PRU EHCP SEMH Placements (90628)	571,450	755,402	767,020	976,636	209,616	920,420	+153,400
Non WBC PRU Top Up Funding (90626)	0	0	0				0
TOTAL	1,393,370	1,616,964	1,597,160	1,835,776	238,616	1,801,420	+204,260

6.2 The total budget set for I-College in 2022-23 was £1,597,160. The predicted spend in 2022-23 is £1,835,776 and the estimated budget for 2023-24 is £1,801,420, an increase of £204,260 on the current budget. This is mainly accounted for by costs for children with EHCPs increasing due to increased need for placements, The budget for children with EHCPs at I-College was £767,020 in 2022-23, the predicted spend in 22-23 is £976,636 and the estimated budget for 2023-24 is £920,420.

6.3 I-College were holding children in the “Pod Plus” provision until September 2022 when The Castle@ Theale opened. It was originally assumed that at that point Pod Plus would no longer be needed and placements of children with EHCPs at I-College would reduce. However, in the intervening period numbers of children with EHCPs at I-College have increased which meant that Castle @ Theale did not have capacity to take them all and numbers overall have not reduced, they have increased.

6.4 It does not appear to be realistic to assume a reduction in children with EHCPs at I-College as part of a deficit reduction strategy at this time. I-College is very cost effective compared to external placements. It is therefore proposed that external placements are the main focus for cost reduction and that this should be achieved by increasing local maintained specialist provision and by offering earlier targeted support in mainstream schools.

7. Update on current and 23-24 projected costs for children with EHCPs in external placements

7.1 Table 4 below shows 22-23 budgets set for external placements, predicted spend in 22-23 and estimated budgets for 23-24:

Table 4

Type of special school	22-23 budget	22-23 predicted spend	23-24 budget
Free	331,700	540,250	536,480
Non maintained	1,114,000	965,740	1,177,630
Independent	4,656,200	4,381,910	5,566,450
Total	6,101,900	5,887,900	7,280,560

7.2 The budget for 2022-23 was based on an estimate of 107 children needing placements during the 22-23 financial year.

7.3 In reality the number of placements has not been this high in 22-23 and at its highest was 95. In December 2022 the number has come down to 82. This reduction is partly due to the number of summer leavers being higher than usual and also lack of placement availability for some children for whom external placements had been agreed. (Reduced availability of placements is being caused by increased national demand for specialist placements and by recruitment issues in the sector). However, the reduction can also be attributed to the opening of The Castle @ Theale in September 2022, which took 12 children who would otherwise have been placed externally, in addition to the impact of invest to save initiatives. The estimated spend in 22-23 is £214,000 lower than the budget.

7.4 However, the predicted budget requirement for 23-24 is £7,280,560, an increase of £1,178,660 or 19.3% on the current budget, based on an estimate of 103 children needing placements in 23-24. This should come down to 96 in September 2023 due to summer leavers. New placements in September in 2023 have been accounted for, as far as these can be predicted at the present time.

7.5 This increase appears to be explained by a number of factors:

- Children who have been waiting some time for a placement have now been offered one for January, April or September 2023
- Another surge in demand for placements for children with autism and very challenging behaviours and also, in particular, for children who are emotionally based school avoiders
- Children moving in to the area who are already placed in an independent / non maintained special school

- An increase in the number of parents appealing to the SEND Tribunal in order to secure the placement they want when this has not been agreed by the Local Authority, partly related to an increase in independent special schools which have set up in the area

7.5 Increased costs for 23-24 relate not just to the number of placements but also to a significant increase in the cost of placements due to rising staffing costs and cost of living increases, which are being passed on through fee increases.

7.6 The number of children estimated to require external placements in 23-24 may be an over estimate, for example, if parental appeals to the Tribunal are not upheld and if there is continued lack of placement availability (although the latter usually only causes a delay in placement).

7.7 We will have a clearer picture by April 2023 of the number of placements needed as some cases will have been to a Tribunal hearing by that time.

7.8 The number of placements we currently expect to make in 23-24 (103) is in line with the target reduction in numbers set out in Table 2. However, estimated costs have not reduced as projected (and in fact have increased) due to significantly higher average placement costs.

7.9 Some of the placements made in 2022 or expected to be made in 2023 are linked to the pandemic. These are children who had difficulties with school attendance prior to Covid due to high anxiety, but whose attendance deteriorated or ceased completely after lockdown. These children had such entrenched difficulties that the EBSA Team, whilst successful in many other cases, were not able to re integrate them to mainstream school and nor were their mainstream schools in spite, often, of very supportive packages being put in place. It is possible that we may have seen this group of children peak now and that the number of children being placed externally due to EBSA will start to fall.

7.10 In September 2023 The Castle @ Theale will be taking another cohort of children (rising to 42 by 2027) and in September 2024 the new SEMH provision at Kennet Valley will open. The new 5 year SEND Strategy for 2023-28 will be in development between January and July 2023, in partnership with all stakeholders. It will be necessary to consider, as part of this process, whether additional new provision is needed in order to further reduce reliance on external placements.

8. Options for Consideration

8.1 N/A

9. Proposals

9.1 That a further report is brought to the HFG / Schools Forum in summer 2023 when the actual number of placements in April 2023 will be known.

10. Conclusion

10.1 Some progress has been made in reducing the number of children in external placements, with current numbers lower than numbers predicted for the current financial year, and with a corresponding underspend in the budget. This reduction can be attributed

in part to the success of the SEND Strategy including development of new provision and invest to save initiatives (although there are other factors at play also such as lack of placement availability). Numbers for 2023-24 are predicted to be higher than current numbers but the target figure for 23-24 of 103 looks likely to be achieved. In spite of this, costs are rising and not reducing because of higher average placement costs. The situation needs to be reviewed again in summer 2023 when actual numbers for April 2023 are known and trends are clearer.

11. Consultation and Engagement

11.1 Michelle Sancho, Lisa Potts