

## **Appendix A - Additional Information – High Needs Block Transfer 2023/24**

This document is intended to provide further background information for context in regard to the request to transfer funding from the Schools Block into the High Needs Block in 2023/24.

The key issues to note are:

- National SEND review: Recommendations of this review could have significant implications for the high needs budget position
- Funding: The latest advice to local authorities indicates a 3% year on year increase in high needs funding for 2023/24 onwards. This would result in an in year funding shortfall of between £0.7m and £17.4 between 2023/24 and 2027/28.
- Cap on funding: Leeds will continue to see a cap applied against the high needs funding which equates to £1.86m for 2023/34. Since 2018/19 Leeds has lost £22.8m of high needs funding due to the cap.
- Demand and Complexity: In line with the national picture, Leeds continues to experience an increase in high needs demand and complexity. The number of EHC plans in Leeds has increased by 118% since 2016 and Leeds now has 50031 EHC plans this is expected to rise to 7,000 EHC plans by 2025.

### **National SEND review**

At the end of March 2022, the government published its long-awaited SEND review. The review identified 3 key challenges facing the SEND and alternative provision system.

1. Navigating the SEND system and alternative provision is not a positive experience for too many children, young people and their families.
2. Outcomes for children and young people with SEND or in alternative provision are consistently worse than their peers across every measure.
3. Despite the continuing and unprecedented investment, the system is not financially sustainable.

The SEND review sets out government's proposals for a system that offers children and young people the opportunity to thrive, with access to the right support, in the right place, and at the right time, so they can fulfil their potential and lead happy, healthy and productive adult lives. The public consultation ran until the end of July 2022, and we are now awaiting the resulting white paper. The recommendations of the SEND Review will have important implications for how support for pupils with

SEND is delivered and funded and could therefore have a significant impact on the projections for the high needs block.

The Department for Education, with the support of the Department of Health and Social Care, has also commissioned Ofsted and the Care Quality Commission to develop a new area SEND inspection framework to operate from early 2023. This will replace the framework established in response to the Children and Families Act 2014, which introduced joint area inspections of services for children and young people with SEND from 2016. Ofsted and CQC consulted on proposals for the new framework from 13 June 2022 to 11 September 2022. A response will be published in Autumn 2022.

### **Funding increases**

In 2019/20, the Government announced a three-year funding settlement for the schools and high needs blocks of the DSG, providing a combined national rise of £7.1bn by 2022/23 compared to 2019/20. An indicative funding announcement has been made for 2023/24 only and it is not yet known what increases may be available beyond that year.

In January 2022, advice was received that local authorities should assume a 3% year on year increase in high needs funding in future years.

In the past Leeds was significantly underfunded and in 2017/18 the high needs block funding for Leeds was 25% lower per pupil than the national average. Since 2018/19 the government has been moving towards a national funding formula to address historical funding differences. This is currently in a transitional phase and while the funding for Leeds has increased it is not yet at the full allocation in the national formula. Leeds still receives less than the national average per pupil for high needs funding when considering all maintained and special school pupils and ranks 133rd out of 150 local authorities for per pupil funding on this basis.

The figures presented in the table below assume a 3% increase in high needs funding each year, in line with advice received in January. There is however a risk that the national increase could be lower. It is also possible that the high needs funding increase could be higher than estimated. In 2021/22 Leeds received the maximum 12% increase, in 2022/23 the maximum 11% increase and in 2023/24 Leeds will receive the maximum 7% increase. To provide some context for the potential impact of funding increases, for every 1% increase in the high needs allocation there would be approximately £1m of additional funding received.

<b>Medium Term High Needs Projections</b>	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
DSG Income	-108.3	-111.0	-113.7	-116.7	-119.8
Funding passported to institutions	99.2	106.4	113.5	120.7	126.6
Commissioned Services	2.7	2.8	2.9	3.0	3.0
Directly managed by Children & Families	7.1	7.2	7.3	7.5	7.6
<b>Projected funding shortfall</b>	<b>0.7</b>	<b>5.4</b>	<b>10.0</b>	<b>14.5</b>	<b>17.4</b>

## Cap on gains

Although funding has increased since the move towards the national funding formula, some DSG funding increases have been subject to a cap on gains during the transitional period. Although this cap has been removed from the schools block from 2020/21 onwards, it is still in place for the high needs block until at least 2023/24. It is not currently known whether a cap will continue to be applied to the high needs block beyond 2023/24, though it is expected to continue.

Although Leeds has been receiving the maximum increases allowed under the cap on gains, it is less than the national funding formula entitlement. If the cap on gains had not been in place, Leeds would have been allocated an additional £32.3m of funding between 2018/19 and 2022/23 across the schools block (£9.5m) and high needs block (£22.8m). A further funding cap of £1.86m will apply in 2023/24 to the high needs block, based on provisional funding allocations released by the ESFA. Leeds is one of the 30 local authorities out of 150 that will continue to have their funding capped in 2023/24.

## High needs demand and complexity

In line with the national picture, Leeds has experienced an increase in high needs demand and complexity in recent years, with this trend expected to continue. However as noted above there is currently still a cap on funding increases and to date any additional funding received by Leeds has been exceeded by increased costs.

There continues to be a pressure on the statutory assessment process (new requests for an EHC needs assessment) and increases in the number of EHC plans maintained by Leeds (EHC plans in Leeds increased from 2287 in 2016 to 5,005 in 2022 a 118% increase). The actual number of plans in August 2022 was 5,031. The increase in Leeds is much greater than the national increase during this period (81-92%) The overall impact of COVID on EHC plans has not yet been realised and it is anticipated that there will continue to be pressure in this area. DFE national data shows that at the present time the capacity of LA SEND teams across the country remains stretched, with case work high, and expected to rise, both in terms of requests for new assessments and re-assessment of need. This is due to the fact

that many children have returned with even greater difficulties and gaps in learning or presenting with significant social, emotional and mental health needs requiring support. It is still too early to give clear projections of the impact of COVID on the rise in requests for new assessments; however, it looks likely that Leeds will maintain nearly 7,000 EHC plans by 2025.

This increase in plans also has the significant effect of increasing the number of specialist places needed within the city causing even greater demands on the high needs block. The past year alone saw a rise in 160 additional specialist places. Further pressures within the high needs block come from the significant rise in identified needs within the early years and in the additional funding (agreed by Leeds LA) passported to schools in respect of arrangements around additional 6k blocks.

### **Funding paid to high needs settings**

As a result of the supplementary high needs funding for 2022/23, Schools Forum were informed in July 2022 to increase the FFI unit rate from £650 to £672 for mainstream, early years and post 16 settings. At this stage the unit rate is not expected to increase further in 2023/24 for these settings.

For special schools, the proposal was to increase the FFI unit rate from £684 to £708. In addition, the high needs operational guide for 2023/24 has set a minimum funding guarantee (MFG) for special schools of 3% compared to 2021/22 baseline funding. The increase applied in 2022/23 goes some way towards that requirement, but it is expected that there will be a similar increase in the FFI unit rate for special schools in April 2023.

Places will need to be created to meet future high needs demand, and the rates payable will vary according to the type of need and setting.

The vast majority of the high needs block is passported to institutions. A review in 2017/18 showed that £49.3m or 86.87% of the block was passported. However, the current projections for 2022/23 shows £94.7m or 92.26% is expected to be passported.

One of the largest increases in recent years relates to funding paid to mainstream settings. The current projections for 2022/23 show a 22.74% increase in top ups and a 102.68% increase in additional £6k blocks paid to mainstream settings compared to actual costs in 2021/22. In total, funding paid to mainstream settings is projected to be £6.1m higher in 2022/23 than in 2021/22.

If a transfer to the high needs block is not agreed, we will need to look at other options to ensure the high needs block remains in balance, which may include reviewing eligibility criteria. This would likely result in a reduction in the amount of funding available to schools and academies.

### **Funding transfers between DSG blocks**

Since 2017/18 a total of £15.81m has been transferred to the high needs block from other funding blocks of the DSG, in order to redirect funding to settings to support special educational needs pressures (£14.16m from the schools block and £1.65m from the central school services block). For 2022/23, a transfer of £3.127m was agreed. Although the high needs block is currently projected to be underspent, if the transfer had not been agreed, the block would have been projecting an overspend of £1.82m.

Beyond 2023/24 it is not known whether funding can continue to be moved between DSG blocks in this way, as the DfE has indicated the ability for local authorities to do this in future will become more limited.

If funding transfers are still allowed in future, any transfers from the schools block to the high needs block would require annual consultation with schools and approval by the Leeds Schools Forum.