

Date: 12 January 2023	Item 8 Type of report: For decision
Report title:	Dedicated Schools Grant - 2023-24 High Needs Block
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1. Executive Summary

This report provides the Schools Forum with the details of schools block transfer and the funding of special schools, hospital schools and resource bases and EHCP's for next year. The Schools Block transfer influences the funding allocations to schools and this is considered in a separate paper on this agenda.

2. Schools Forum Actions

The Schools Forum is asked to:

- i. Agree the Schools block transfer of 0.44%, a sum of £1.2m.
- ii. Confirm that the special schools' funding rate should increase by 0.1% to the nationally set minimum funding guarantee.
- iii. To note that the independent consultant has recommended the special schools funding rates should be frozen after the 0.1% minimum funding guarantee increase
- iv. To note the new central government additional grant to special schools, alternative providers and hospital schools of 3.4%.
- v. Agree that the top-up rate for SILS should increase by 0.1% to the national set minimum funding guarantee only.
- vi. Agree that the funding rate for hospital schools for 2022/23 should continue to be aligned to the funding level included in the High Needs block.
- vii. Agree that the funding rates for Resources Bases should increase by 3.4% which is equivalent to the new additional grant for special schools

- viii. Agree that the funding rates for EHCP's increase by 3.4% which is equivalent to the new additional grant for special schools
- ix. Agree that rather than undertake a full consultation the Local Authority write to all Special Schools saying that the regulations will be followed with indicative amounts that they will receive and invite comments from them.

3. Background

- 3.1 The Local Authority (LA) is required to submit details each year of the mainstream school funding formula to the Education and Skills Funding Agency (ESFA). The funding formula is based on data provided by the ESFA, although there is some scope to make changes; the funding rates need to be agreed with the Forum.
- 3.2 The DSG allocation for 2023-24 was received on 16 December 2022. The High Needs block element was £71.9m (including the high needs additional grant of £2.9m) or £69.9m after deductions for direct funding of high need places. The funding provided to each LA is via a formula, although there is a historic element built into that formula. The allocations in December did not provide a detailed breakdown of the formula, but the draft figures provided earlier in the year did and are shown below.

Table 1: Comparison of High Needs funding formula – 2023/24 to 2022/23

Factor	2023/24	2022/23	Difference
	£	£	£
Basic entitlement factor	4,615,529	4,451,044	164,485
Historic spend factor	24,344,827	24,344,827	0
Population factor	17,931,379	15,300,079	2,631,300
FSM factor	4,969,932	4,388,711	581,221
IDACI factor	6,386,898	5,449,777	937,121
Bad health factor	3,393,576	2,898,293	495,283
Disability factor	2,460,748	2,125,100	335,648
KS2 low attainment factor	2,862,932	2,298,469	564,464
KS4 low attainment factor	1,799,399	1,605,455	193,944
Funding floor factor	0	0	0
AP factor	3,624,858	3,462,450	162,408
allocation before provisional import/export adjust	72,390,079	66,324,206	6,065,873
Import/export adjustment (provisional)	-1,328,918	-1,481,401	152,483
High needs NFF provisional allocation	71,061,161	64,842,805	6,218,356
High needs NFF provisional allocation after CAP	68,814,423	61,607,531	6,508,881

The above excludes the new high needs additional grant of £2.9m (It also excludes the High needs supplementary grant in 2022/23 of £2.4m. The difference between the draft figures in the table 1 and the revised allocation is due to pupil numbers.

- 3.3 The allocation for Southwark shows an underlying increase of 12%. The new grant of £2.9m represents 4.6% of this. There are specific conditions with the new grant. Part of the grant must be used for allocating the additional funding for maintained special schools, special academies, pupil referral units and AP academies by increasing the place led and top up funding by 3.4%. This additional funding for special schools must be excluded for the purpose of applying the 3% minimum funding guarantee for 2022 to 2024 (note the MFG covers 2 years).
- 3.4 The 3.4% increase per place, based on the place funding of £10,000 per place plus the average top-up funding they pay for a pupil placement in financial year 2022 to 2023, must be calculated on the total number of places being funded in academic year 2022 to 2023. For those schools with revised number of places that have been agreed for the academic year 2023 to 2024, the funding will be calculated on this as well.
- 3.5 There is provision within the regulations to pay a lower increase than the 3.4%, in order to do this the Local Authority would need to apply to the Secretary of State, it is not proposed to do this.
- 3.5 Local authorities have been asked to separately identify the new additional allocations and pay them directly to the school and consult each school before finalising its allocation. It would seem difficult to do anything different from the prescribed regulations. As detailed below we have just completed a consultation with schools on the top-up rates. The Schools Forum is asked to agree that the Local Authority write to all Special Schools saying that the regulations will be followed with indicative amounts that they will receive but invite special schools to comment.

4. Safety Valve Application

- 4.1 As part of the autumn statement published on 17 November, the Chancellor announced an additional £2 billion net for the core schools budget in each of the next two years, on top of the existing provisional allocations published in July 2022. Of this £2 billion, £400m of has been allocated to the high needs block in 2023-24, Southwark share of this, as noted above, is £2.9m.
- 4.2 Local authorities are required to pass on a portion of this additional funding to maintained special schools and pupil referral units, and special academies and alternative provision academies (including free schools) - amounting to 3.4% of their total place and top-up funding income. This is equivalent to the funding increase that mainstream schools will see through the new Mainstream Schools Additional Grant.

We have been asked in the light of the extra funding to rework the safety valve application and resubmit it by the 31 January 2023.

- 4.3 The safety valve application has been adjusted to meet the regulations, it is also proposed to help continue support the inclusion agenda by allowing for the Recourse Bases, EHCP funding rates and inclusion fund to also be increased by the same percentage amount of 3.4%. The impact on the funding rates is detailed later in the report. The remainder is then being used to allow for the impact of inflation particularly in the independent sector. Appendix A has the current revised figures.

As part of the original safety valve application there was a proposal to undertake a school block transfer in 2023/24 and in the light of the need to set the schools budget there is now a need for the Schools Forum to officially endorse this transfer. This was set at a sum of £1.2m (0.44% of the school block transfer).

The papers discussing this issue can be found on

schools-and-education/school-management/southwark-schools-forum?chapter=2

Meeting 22 September 2022 – Item 8 Safety Valve Intervention Programme

5. Special schools Funding Rates 2023-24

The minimum funding guarantee has been set at 3% and covers both the current year (2022-23) and next year. Last year the Special School rates of funding were increased by 2.9% as it was aligned to the supplementary grant, to meet the 3% minimum funding guarantee a small adjustment of 0.1% is needed as detailed below. The overall cost of this is £16k.

Table 2: Special Schools funding rates 2023/24

School	Places	Top-up	Inflation		Top-up	Adjustment for MFG of 3%		Revised Rate 2023/24	Change
		Rate 2021/22 £	Top-up at 2.9%	Base 2.90%	Rate 2022/23 £	Top-up at 3%	Base at 3%		
Special Schools									
Beormund School	35	£18,950	£550	£290	19,790	£569	£300	£19,819	£29
Cherry Garden	85	£23,125	£671	£290	24,086	£694	£300	£24,119	£33
Haymerle School *1	70	£20,287	£588	£290	21,165	£609	£300	£21,196	£31
Highshore	153	£14,479	£420	£290	15,189	£434	£300	£15,213	£24
Tuke School	90	£21,024	£610	£290	21,924	£631	£300	£21,955	£31
Spa School *2	158	£20,534	£595	£290	21,419	£616	£300	£21,450	£31
Newlands Academy	75	£21,655	£628	£290	22,573	£650	£300	£22,605	£32

*1 Haymerle Special School

2023/24 will be the second and final year of the arrangements adopted last year, as Haymerle started taking classes of higher need children. They opened two classes at the request of the Local Authority, whereby instead of having 7 pupils the classes now have 5 pupils, and as a consequence there was a funding shortfall due to the fewer pupils while the existing top-up rates are used. It was agreed that this provision would be reviewed over the coming year before setting the 2024/25 budget.

*2 Spa Educational Trust – Camberwell

Spa Camberwell opened in September 2020 like all new schools it faces financial difficulties as it starts to fill up with pupils. These difficulties are mainly caused through not having a full complement of pupils to support the costs of the management team. In some respect this issue is negated in mainstream schools as they receive a lump sum to support management costs. This is not the case with special schools, as all funding flows from pupil numbers.

Further for Spa Camberwell the Spa school's current funding band reflects that the school had only secondary age children in the past. Camberwell also includes Primary age children. Primary autism funding rates are generally higher than secondary rates. In addition the school is taking pupils of more complex needs. 2023/24 will be the second and final year of the arrangements adopted last year, where the Schools Forum agreed that for a two year period only that the pupils at the Spa Camberwell site be funded at the same rate of funding as Cherry Garden as this was deemed the nearest to the level of need of the children within Spa Camberwell (The Spa Bermondsey children would continue with the same rate as adjusted in line with the general proposals on inflation for all special schools in this paper). This arrangement will need to be reviewed over the coming year before setting the 2024/25 budget.

Table 2 above assumes there is no further increase to the funding rates for 2023/24 and they are frozen for the coming year (accepting the extra additional grant of 3.4% detailed in para 6 is extra on top of the funding rates freeze). The freeze is in line with the report of independent consultant who was commissioned to undertake a benchmarking exercise with other authorities.

The report is attached in Appendix B

6. New Additional Grant – Special schools

The new additional grant as detailed above calculated at 3.4% has the following impact on a per pupil basis.

Table 3 – New additional funding.

Additional Grant based on amount per place			
	Top-up at 3.4%	Base at 3.4%	Total of additional Grant
Beormund School	£674	£340	£1,014
Cherry Garden	£820	£340	£1,160
Haymerle School	£721	£340	£1,061
Highshore	£517	£340	£857
Tuke School	£746	£340	£1,086
Spa School	£729	£340	£1,069
Newlands Academy	£769	£340	£1,109

7. Resource Base Funding Rates

The resource base funding rates proposed for next year are shown in Table 4.

There are three types of resource bases: Speech and Language; Autism and Hearing Impaired. There is no requirement for a minimum funding guarantee for schools with resource bases in a similar fashion to special schools however in the interests of fairness one has been applied in exactly the same way as for Special School i.e. 3%.

Table 4: Resource base funding rates adjustment

School	Band	Top-up	Inflation		Top-up	Adjustment for MFG of 3%		Revised Rate 2023/24	Change
		Rate 2021/22 £	Top-up at 2.9%	Base 2.90%	Rate 2022/23 £	Top-up at 3%	Base at 3%		
Speech and Language		5922	£172	174	£6,268	177.66	180	£6,280	£12
Autism	1	14201	£412	174	£14,787	426.03	180	£14,807	£20
Autism	2	12290	£356	174	£12,820	368.7	180	£12,839	£19
Hearing Impaired		8513	£247	174	£8,934	255.39	180	£8,948	£14

Note: There are two rates for Autism since the review of the funding bands. The lower rate is for new children since the completion of the review in 2022 and the higher rate for existing children.

Some Resource Bases are currently receiving both the above top-up rates and additional funding for pupils with EHCPs. It is proposed that the High Needs Sub-Group reviews these top-up rates.

Likewise with the MFG there is no requirement to pay the new additional grant there to schools with resources bases. However again in the interest of fairness a further 3.4% has been applied to the top up rates to the final proposed rates for 2023/24.

Table 5: Proposed Resource base funding - overall funding rates, including additional grant

Additional Grant based on amount per place			Overall Rate	
	Top-up at 3.4%	Base at 3.4%		Total of Grant
Speech and Language	£214	£204	£418	£6,698
Autism (1)	£503	£204	£707	£15,514
Autism (2)	£437	£204	£641	£13,480
Hearing Impaired	£304	£204	£508	£9,456

Where a school has a vacant place in there resource base the school is funded at £10k per place rather than £6k, the top up rate will be adjusted accordingly and be increased by £340 not the £204 in the above table.

8. Pupil Referral unit

Our Pupil Referral Unit - Southwark Inclusive Learning Service (SILS) - is funded in a similar way to special schools with place-led funding of £10,000 and a top up, currently at £11,600. Likewise with special schools it is a requirement to meet the 3% Minimum funding guarantee, this increases the top up rate by £30 to £11,630. The additional grant needs to be added to this at 3.4% (£ 21,630 at 3.4%) which amounts to £736 giving a final rate of £22,366. The number of places commissioned will be reviewed from September 2023, this review will be completed by the end of March 2023.

9. Hospital schools

- a. Hospital schools are funded on the basis of place-led funding. Southwark has two hospital schools and the funding rates for the current year are as follows:

Evelina Hospital School	£25,606 (53 Places)
Maudsley and Bethlem Hospital School	£32,896 (64 places)

- b. The funding for hospital schools is separated out within the allocations and has increased from £3,462,450 in 2022/23 to £3,624,859 for 2023/24, an uplift of 4.4%. This will be passed onto the hospital schools alongside the new additional grant. The grant totals £123,245 which is 3.4% of the 2023/24 funding of £3,624,859.

10. EHCP Banding rates

While there is no requirement to pay the additional grant on the EHCP bands in the interests of fairness a 3.4% uplift has been applied.

Table 6: Proposed EHCP funding rates for 2023/24

Band	Rate	Additional Grant	2023/24 Rate
A	£4,150	£141.00	£4,291
B	£8,250	£281.00	£8,531
C	£12,350	£420.00	£12,770
D	£16,450	£559.00	£17,009

The Early Years funding rate will be aligned to the above band D rate by taking 60% of the funding of £17,009 which is £10,205. The rationale behind the 60% is the number of hours of provision provided for a part time early year child, which is 15 hours over the “normal” 25 hours of a full time pupil. If a special school has early years children they will receive 60% of the schools top up rate.

Appendix A

DSG - High Needs Block position	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Comments
	£'m	£'m	£'m	£'m	£'m	£'m	
Expenditure		59.7	70.8	73.3	74.7	76.8	
Growth in EHCP's		8.0	4.1	5.4	7.3	8.4	Estimated growth before savings
Inflation		0.2	4.3	7.5	9.4	11.4	Calculated at 0%, 0%, 0% and 2% for Maintained Schools and 6%, 4%, 2%, 2% for all others
Savings		-0.8	-6.6	-12.2	-15.3	-17.9	As detailed in the plans
Investment		0.6	0.7	0.7	0.7	0.7	
Total Expenditure	59.7	67.7	73.3	74.7	76.8	79.4	
DSG Funding	-55.6	-64.3	-71.8	-74	-76.2	-78.5	Indicative allocation included for 2023/24 then 3% assumed thereafter
Block transfer from	-3.1	-1.2	-1.2	-1.2	-1.2	-1.2	At 0.5% cash equivalent
In year net position deficit	1	2.2	0.3	-0.5	-0.6	-0.3	
Cumulative DSG deficit	21.7	23.9	24.2	23.6	23.0	22.7	
Number of EHCPs		2,783	3,010	3,221	3,410	3,595	Before savings
Number of EHCPs		2,783	2,976	3,087	3,241	3,468	After savings

Date: 12 January 2023	Type of report: For discussion/information
Item 8 Appendix B	
Report title:	Consultation with special schools/settings re. Future funding: 2022/23 to 2024/25
Author name:	Ian Morris, SEND consultant

Executive Summary

This report details the consultation with Southwark special schools and settings on the actions agreed regarding High Needs Block funding as part of the DSG management plan.

Schools Forum Actions

To note:

- The freeze of the special schools top-up rates is not unreasonable.
- The Local Authority should consider the commissioning arrangement of special school places.
- The smaller the special schools the less financial robust they are.
- There needs to be more consistency in the top-up rates across the sector.
- There needs to be more collaboration between the Local Authority and schools to meet the challenges of the future.

1 Consultation with Special Schools/settings

1.1 Visits have been made to all maintained special and alternative provisions in the Southwark. The purpose of the visits was to consult with schools/settings to:

- Clarify the position of the Local Authority in the light of the Budget Recovery plan/Safety Valve.
- Seek agreement from schools/settings on the way forward.
- Provide the opportunity for schools to contribute ideas and strategies to the process of deficit recovery.
- To listen to school/setting specific concerns.

1.2 Local financial context:

- To date the Local Authority Budget Recovery Plan has identified and delivered savings of £16.5m including introduction of revised mainstream top-ups contributing to year-on-year reductions to the in-year High Needs deficits from 2019 to 2022.
- The 2.9% uplift to High Needs Block funded settings/schools in 2022/23.
- As at March 31st 2022 Southwark maintained special schools have significant surplus balances ranging from £84,782 to £621,265 (Table 1 below).
- Preliminary benchmarking of Southwark’s top-up rates against other local authorities indicates that the Council’s top-up rates compare well with other London boroughs.

Table 1 – Special school’s balances as at 31/03/22

2021/22 Special School Balances				
School Name	Revenue balance (Funds Retained By School) B01 + B02	Trust Fund (Funds Retained By LA)	Total Revenue Balance	Balance Control Mechanism Percentage
	84,782		84,782	7.8%
	567,302		567,302	20%
	261,529		261,529	12%
	228,599	360,000	588,599	18%
	621,265		621,265	21%
	334,559		334,559	15%

2 Agreements and outcomes of consultation

2.1 The special Headteachers are well informed about the processes of LA deficit recovery and the ongoing application for ‘Safety Valve’ funding. Including:

- The ‘Safety Valve’ requirement of a balanced in-year budget
And
- The impact of the surplus revenue control measures on Southwark maintained special schools/settings.
- The proposal to freeze the EHC plan ‘Top-ups’ (table 2 below) and other pupil/student funding for special/alternative/additionally resourced settings at their current (22/23) levels.

STable 2 – Special school’s top-up rates

School	Places	Top-up	Inflation		Top-up
		Rate 2021/22	Top-up	Base	Rate 2021/22
		£	at 2.9%	2.90%	£
Special Schools					
Beormund School	35	£18,950	£550	£290	19,790
Cherry Garden	85	£23,125	£671	£290	24,086
Haymerle School *1	77	£20,287	£588	£290	21,165
Highshore	140	£14,479	£420	£290	15,189
Tuke School	90	£21,024	£610	£290	21,924
Spa School *2	70	£20,534	£595	£290	21,419
Newlands Academy	75	£21,655	£628	£290	22,573

Southwark Inclusive Learning Service (SILS) is funded in a similar way to special schools with place-led funding of £10,000 and a top-up, currently at £11,600.

In some cases 2021/22 balances were augmented by an element due to reduced staffing costs: an unintended outcome of the pandemic. Even though the special schools were open throughout, reduced student numbers and the need to reduce risk to school communities enabled lower than planned expenditure on supply and agency staff.

However, increased salary and on-costs for all staff is placing a disproportionate burden on special/additional provision as special schools/APs are staff intensive compared to mainstream settings. Six of the eight schools visited forecast budget deficits by the end of 2024/25.

While special Head Teachers do not welcome the maintenance of EHC plan top-up funding at its current level for the next three years the local authority’s proposals are not viewed as unreasonable: particularly if the opportunity is taken to address schools/settings concerns about other aspects of the funding of provision and places.

3 Strategies to the support the process of deficit recovery and address school/setting specific concerns

- 3.1 Special school Headteachers understand the collective need to reduce the High Needs deficit and they support the Local Authority’s drive to do so by growing capacity to meet pupils/students complex needs locally - in Southwark - and to minimise the use of out-of-borough places which are disproportionately expensive and take resources away from Southwark schools and families. Thriving local special schools are also vital to the success of mainstream education.

There is a continuing commitment to work with local authority to achieve these strategic aims and the following were identified as helpful areas of focus to develop a collaborative and coherent approach.

3.2 Support for growing schools/settings

Smaller schools have less robust finances. This is the case for all types of schools/settings but the high needs funding arrangements mean smaller special schools/provisions are particularly vulnerable. As shown in Table 1 (above) the larger schools/provisions and those which have recently expanded, have the larger positive balances. Newly opened provisions are expanding year on year - although expansion needs to be carefully managed - and smaller special schools have plans for expansion. It would help secure the future and quality of these provisions if interim funding arrangements to enable growth and stability could be agreed and continued when necessary as part of a joint LA/school/provision financial plan.

3.3 Place funding

Seven of the eight schools consulted expressed the view that the local current practice for securing admissions for pupils/students over standard number/commissioned places and mid-phase/in year admissions does not consistently support schools or families by enabling prompt and effective admission and frequently presents funding challenges. Schools/settings and the LA should review existing admission/commissioning and funding arrangements to incentivise prompt local placements to deliver long term deficit reduction and support schools and families.

3.4 Consistent top-ups

There is little to indicate that the sector is generally underfunded. Particular discrepancies were raised in this consultation. There seems to be a lack of coherence in the funding of places for young people presenting SEMH needs. The primary SEMH top-up is £19,790 and the secondary SEMH top-up £22,573. Also Southwark Inclusive Learning Service (SILS) has a top-up, currently at £11,600. Provision made in these settings is often similar (including staff: pupil ratios) as are the young people's needs. This is also the case in the top-up funding for SLD/PMLD. The primary top-up is £24,086, secondary top-up is £21,924. Different funding for (in some cases) the same young people both in purpose-built accommodation. These discrepancies might be addressed without a root and branch review of all top-ups.

3.5 Collaboration and common purpose

The inevitable focus on special school funding given the high needs deficit puts an even greater emphasis on the need for effective communication and collaboration between local authority 'schools finance', SEN section and school's Headteachers and bursar's/finance leads. There needs to be trust and transparency in the management and monitoring of school's finances and this is a good opportunity to review how the local authority and special schools/settings work together to do this; with a view towards creating a more collaborative relationship whilst being mindful of school's responsibilities under Local Management legislation. Trust schools consulted stressed the benefits of schools working together and sharing good financial management practice and planning to deliver better value for money.

4 Conclusion

Although the controls/restrictions on special schools/settings will present challenges this is as good a time as any to implement these actions as the balances of High Needs Block funded provisions are healthy at present.

Special provisions are crucial to deficit recovery as they will provide a cost-effective alternative to out-of-borough placements but this will only work well if there is a genuine partnership between the schools/settings and the local authority. It would be helpful to address the issues raised above as part of this process.

The funding of special provision needs to be adequate to meet needs and prompt enough so that all young people can be placed and schools/settings can provide flexibly and forward plan securely.

Working together to grow provision and reduce the high needs deficit should provide an excellent opportunity for the local authority in schools to work collaboratively and ensure that there is a common focus on sustainable local provision.