

## **Children and Families Committee**

**18 September 2023**

### **Allocation of Additional High Needs Funding and Additional Early Years Funding for 2023/24**

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**Report of: Deborah Woodcock, Executive Director Children and Families**

**Report Reference No: CF/25/23-24**

**Ward(s) Affected: All**

#### **Purpose of Report**

1. This report provides an update on the two additional funding streams announced for 2023/24 and recommendations over how the funding streams should be allocated for approval by committee.
2. The two additional funding allocations are:
  - Additional high needs funding of £2.3m.
  - Additional early years funding of £1.3m (exact allocation to be confirmed).
3. The report is supporting the council's Corporate Plan objectives as follows:

An open and enabling organisation	Ensure that there is transparency in all aspects of council decision making.
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#### **Additional High Needs Funding**

4. To advise committee on:
  - Changes to the High Needs Dedicated Schools Grant and the conditions of the grant for financial year 2023/24.
  - The approach to Cheshire East maintained special schools, special academies, special free schools, alternative provision (AP) maintained schools and alternative provision free schools.

- The approach to fee increases for independent special schools and non-maintained special schools.
- The proposed use of the remainder of the additional high needs funding.
- The delegations to the Executive Director of Children's Services to undertake any consultations deemed necessary to facilitate implementation.

### **Additional Early Years Funding**

#### **5. To advise committee on:**

- The announcements in relation to early years funding.
- Expected timescales for payment and approval routes.
- The proposed allocation of the funds for approval.

### **Executive Summary**

6. This paper sets out proposals for allocating the additional high needs grant (DSG) of £2.3m and recommends the allocation of the funding in accordance with the DfE guidance [High Needs Funding: 2023 to 2024 Operational Guidance](#) and local market conditions. This is in acknowledgement of the high needs brought forward deficit of £46.9m on 31 March 2023.
7. The paper details the expected additional early years funding (non-DSG) and recommends the allocation of that funding to providers through a flat rate formula.

### **RECOMMENDATIONS**

The Children and Families Committee is recommended to:

1. To approve 3.4% increase on both place and top up funding, representing the allocation £0.4m to Cheshire East maintained special schools, special academies and special free schools.
2. To approve 3.4% increase on both place and top up funding, representing the allocation £0.05m to Cheshire East alternative provision schools.
3. To approve 3.4% increase of top up funding, representing the allocation of £0.6m for those independent schools and non-maintained special schools that have requested a fee increase in line with contractual arrangements.
4. To approve the proposal to use the remainder of the additional funding to support SEN support and to offset against in year pressures.

5. To approve the allocation of the early years supplement using a flat rate for all providers subject to approval of the supplementary revenue estimate at council on 18 October 2023.

## **Background**

### **Additional High Needs Funding**

8. High needs funding is provided to local authorities through the high needs block of the Dedicated Schools Grant (DSG), enabling them to meet their statutory duties under the Children and Families Act 2014.
9. The financial allocations from the high needs funding block provide local authorities with resources for place funding and top-up funding for schools and colleges, funding for high needs services delivered directly by the local authority, or under a separate funding agreement with a school or college (including funding devolved to schools and colleges).
10. The council is facing increasing levels of pressure from expenditure on pupils with SEND. This exceeds the increases in the DfE's funding allocations and has led to the council's DSG reserve being in a deficit position of £46.9m at 31 March 2023.
11. Against the above context the local authority needs to make decisions on how to allocate an additional £2.3m of High Needs Grant which has been allocated.
12. Annex 2 of the [High Needs Funding: 2023 to 2024 Operational Guidance](#) issued by the Department for Education on how the additional funding may be used, which states:
  - "maintained special schools and special academies and free schools, local authorities must allocate 3.4% 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, using the total number of places being funded in academic year 2022 to 2023".
  - "Pupil referral units and AP academies and free schools, local authorities must allocate 3.4% per place, based on the place and top-up funding these schools receive. As the top-up funding AP schools receive is more variable and includes funding directly from schools commissioning placements, the calculation must be based on data provided through schools' income and expenditure returns".
  - "Local authorities must allocate this funding for the period April 2023 to March 2024".
13. The guidance does not specifically make reference to independent special schools or non-maintained special schools.
14. The sections below set out the proposed use of the funding.

### **Determining the number of places**

15. The October census information has been used from 2022 plus any change in numbers at September 2023 has been reflected.

### **Special schools, special academies and special free schools**

16. The table below details the 3.4% increase on both place funding and top up funding for CEC special schools, special academies and special free schools.

<b>School Name</b>	<b>Total places (5/12ths 2022-23 + 7/12ths 2023-24)</b>	<b>Impact of 3.4% on place funding</b>	<b>Impact of 3.4% on pupil funding</b>	<b>Total impact</b>
Adelaide Heath	74.5	25,330	30,348	55,678
Adelaide School	84.0	28,560	29,302	57,862
Axis Academy	59.7	20,287	19,556	39,843
Church Lawton	70.0	23,800	36,227	60,027
Park Lane	107.7	36,607	28,259	64,866
Springfield	210.0	71,400	51,159	122,559
<b>Total</b>	<b>606</b>	<b>205,984</b>	<b>194,851</b>	<b>400,835</b>

### **Alternative Provision**

17. The table below details the 3.4% increase on both place funding and top up funding for CEC special schools, special academies and special free schools.

<b>School Name</b>	<b>Total places (5/12ths 2022-23 + 7/12ths 2023-24)</b>	<b>Impact of 3.4% on place funding</b>	<b>Impact of 3.4% on pupil funding</b>	<b>Total impact</b>
Oakfield Lodge	60.0	20,400	26,141	46,541

### **Cheshire East Children in other local authorities**

18. There are a number of CEC residents who attend other local authority special schools. CEC are responsible for funding the top up funding associated with these placements. The top up funding will also be subject to a 3.4% increase. It is estimated that the cost will be approximately £95,000.

## Independent and non-maintained special schools

**19.** The impact of a maximum 3.4% rise on existing placements across all Independent Sector education placements providers (or lower where the uplift requested was lower than this) is summarised in the table below:

	Current yearly Commitment	Maximum <i>additional</i> Cost per annum if maximum 3.4% uplift agreed for all existing placements	New yearly commitment	Additional cost if maximum uplift of 3.4% was agreed with only those providers (16 in total) who challenged the 'no-uplift' stance adopted previously (i.e. no uplifts to be offered where none requested)	Additional costs if <i>requested</i> increase was agreed in full (average uplift request was 10.8% across the Independent sector; range from 3.8% - 23.72%)
Total across all settings	£25,674,718.67	£872,940.43	£26,547,659.10	£592,228	£1,214,470.18

**20.** The local authorities current DSG management plan includes a key mitigation in relation to fee increase requests from independent special school and non-maintained special school providers. The DSG management plan allows for a 3.4% increase in 2023-2024 and 1.5% increase on fees thereafter.

**21.** If the SEND team are unable to source placements within internal special schools or in other local authority special schools, Children's Commissioning search for a placement via the SEND Flexible Purchasing System (SEND FPS). As of 1<sup>st</sup> June 2023, there have been approx. 300 referrals sent to the Commissioning team since April 2021, the average costs of a placement via the SEND FPS are stated below:

- Communication and interaction - £54,244
- Cognition and learning - £53,178
- Social, Emotional, Mental Health - £48,777
- Sensory and physical - £48,903

**22.** For the 2023-24 financial year, 16 independent non maintained special school providers have requested a fee increase on current fees. These requests range from 3.4% to 23.72% and the average request is 10.08%.

**23.** If Cheshire East were to agree all requested fee increases at the level requested there would be an additional cost pressure of £1,214,479 (see note 1).

**24.** If providers who have challenged the 'no fee increase' decision were to agree a 3.4% increase in line with the additional allocation, it would cost the local authority £592,228 (see note 1).

**25.** If all independent and non-maintained schools, including those that have not yet challenged the 'no fee increase' decision were to be provided with a 3.4% increase to current fees, it would cost the local authority £872,940 (see note 1).

\*Note 1 figures stated represent current expenditure levels for each provider at 23 May 2023.

**26.** Cheshire East has taken a 'no fee increase' stance with regards to SEND placements in recent years. Any fee increase requests received from providers in 2021/22, 2022/23 and 2023/24 have been declined.

**27.** Three main risks have been highlighted during meetings between Children's Commissioning and the above providers:

- Providers are not prioritising Cheshire East referrals although demand is still there, this is due to fear of not receiving an increase in future years.
- Providers are considering front loading costs when offering on Cheshire East placements, meaning Cheshire East are charged more than other local authorities.
- Providers are considering whether they can still meet the needs of the placements they have due to the costs pressures of placements made in the last 3 years with no increase. This would mean handing back placements to Cheshire East that would cause further demand on the system.

**28.** For context the standard uplift percentage to be applied to new placements for Cared for Children on all Placements Northwest Frameworks from April 2023 is 7.3%.

**29.** Other Local Authorities across the northwest have been agreeing fee increase requests for existing placements. Cheshire East have continued to decline all fee increase requests, which has caused reputational damage amongst providers and the 23 local authorities across the northwest.

## Summary of Proposed Allocations

30. The table below sets out a summary of the proposed allocations:

	£m
Academy, free and maintained special schools	0.4
Alternative Provision	0.1
Cheshire East Children in other local authorities' special schools	0.1
Independent and non-maintained special schools (this could rise to £0.9m if applied to all existing placements)	0.6
Investment in SEN support services or off-set against in year pressures (this could reduce depending on the amount applied to independent and non-maintained special schools)	1.1
Total	2.3
Total allocation	2.3

## DSG Management Plan

31. The council has a significant DSG Reserve deficit and whilst a proactive approach has already been adopted through the DSG Management Plan and the Department of Education Delivering Better Value programme, this plan continues to forecast a significant high needs deficit which continues to increase each year.

## Accounting Override

32. The DSG Reserve deficit is being managed through a temporary accounting override put in place by the DLUHC which allows the reserve to be treated as an unusable reserve. This override has been extended to March 2026. It is not clear what arrangements will be made nationally when the override expires.

## Additional Early Years Allocation

33. The 2023 Spring Budget announced additional funding for the existing early years entitlements for disadvantaged 2-year-old children and 3 and 4-year-old

children for the 2023 to 2024 financial year. There is also additional funding for Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF).

- 34.** The supplementary funding provided to local authorities by the EYSG is separate to the funding provided for the existing entitlements in the 2023 to 2024 financial year. The DfE expect to publish local authorities' EYSG allocations and the conditions of grant in September 2023.
- 35.** The DfE intends that local authorities must pass on the EYSG, in full, to early years providers for each of the funding streams. For the main entitlements, they expect this will be through additional payments to providers calculated on an hourly basis.
- 36.** Payments for 2-year-olds, EYPP and DAF are paid at a flat rate for all sectors. The EYSG can be directly passed through.
- 37.** Payments for 3–4-year-olds are paid to providers via a formula. EYSG could be passed through via the formula or directly passed through as a flat rate. Payment via the formula creates a risk of not meeting the 100% pass through requirement.
- 38.** All EYSG payments at a flat rate is the preferred option to ensure 100% pass through. This approach is supported by the Early Years Reference Group, a subgroup of Schools Forum.
- 39.** It is anticipated that, following receipt of the conditions of grant and confirmation of the funding allocation from the DfE during September, the additional payments for autumn term will be made to providers in the final payment for autumn term in November. The additional payments for spring term will be paid within the usual interim and final payments cycle.

**40.** The additional rates are:

2-year-olds	£1.83 per hour
3–4-year-olds	£0.33 per hour
EYPP	£0.04 per hour
DAF	£30.92 for the period September 2023 to March 2024

The funding allocations have not been confirmed as yet. However, based on the confirmed rates and numbers of hours previously delivered, the anticipated EYSG allocations are:

2-year-olds	£342,006
3–4-year-olds	£908,430



EYPP	£4,970
DAF	£5,967
Total EYSG	£1,261,373

## Consultation and Engagement

41. The high needs proposals for 2023/24 were shared with schools forum at their June 2022 meeting and the feedback from that meeting has again been used to inform the allocation of the supplement for 2023/24.
42. The early years proposal was discussed with the Early Years Reference Group on 19 July 2023 and a flat rate approach was the preferred option.

## Reasons for Recommendations

43. The council's overall High Needs DSG allocation for 2023/24 is made up of two elements:

- The standard high needs block of £54.1m.
- The additional high needs allocation of £2.3m.

44. Under the conditions of the DSG:

- local authorities must use part of this funding to make allocations to all those special schools and pupil referral units (PRUs) that they maintain, all special and alternative provision (AP) academies that they previously maintained, and all special and AP academies and free schools that were not previously maintained but are located in their area.
- Local authorities must make an allocation that is equivalent to 3.4% of the estimated total grant funding (place and top up funding) of the school

## Other Options Considered

45. Do not offer parity for Independent and non-maintained special schools and continue with the 'no fee increase' stance.
46. An options appraisal must be completed for:
1. each option considered,
  2. the Committee not approving the recommendation (resolving to do nothing),

Option	Impact	Risk
Offer Independent and non-maintained special schools the uplift to fees they have requested in full	Significant additional cost to High Needs Budget and increase in the deficit	<ul style="list-style-type: none"> <li>- Would worsen the budget deficit by a further £1.2 million.</li> <li>- Weakens Cheshire East's hand in future</li> </ul>

	Independent and non-maintained special schools would be happy with their settlement for 2023-24	negotiations if we are seen to be easily deterred by provider demands, and may embolden the sectors approach to future negotiations over fees
Do nothing for Independent and non-maintained special schools	Use funds to offset against the deficit position	<ul style="list-style-type: none"> <li>- Providers will front load costs and charge more for Cheshire East placements</li> <li>- Providers will start to hand back placements as they can no longer meet need within fees agreed prior to April 2023 as a result of significant rises in staffing and premises costs during 2022-23.</li> <li>- Providers will not consider Cheshire East referrals</li> <li>- It should be noted that the two risks above are already manifesting themselves in other areas of Children's support provision.</li> </ul>

### Early Years Additional Grant

Option	Impact	Risk
Allocate the supplement through the Early years funding formula.		<ul style="list-style-type: none"> <li>- The council may not achieve the pass-through rates.</li> </ul>

### Implications and Comments

*Monitoring Officer/Legal*

47. The Operational Guidance states that High needs funding is provided to local authorities through the high needs block of the DSG, enabling them to

meet their statutory duties under the Children's and Families Act 2014. The funding must be spent in line with DSG: conditions of grant and School and early Years Finance (England) Regulations 2023.

#### *Section 151 Officer/Finance*

- 48. The financial implications are contained within the report.
- 49. The high needs supplementary funding is part of the high needs block that has been approved at Children and Families Committee in February 2023 and through the council's budget approval in February 2023.
- 50. The early years supplement is a separate grant allocation and will require approval through council.
- 51. The DSG Reserve deficit balance is a major issue nationally and for Cheshire East Council.
- 52. The removal of the Accounting Override and where next represents a major challenge for all local authorities with a DSG reserve deficit as there are no announcements over resolving the issue.

#### *Policy*

- 53. The SEND Code of Practice sets out the statutory guidelines and policy for SEND. The SEND Review: Right support, right place, right time sets out proposed changes to policy which are open for consultation until 22 July 2022.
- 54. This statutory code contains details of the legal requirements that the local authority, health bodies, schools and colleges must follow without exception to provide for those with special educational needs under part 3 of the Children and Families Act 2014.
- 55. The statutory duties include:
  - the need to undertake a needs assessment where a child may have additional needs,
  - to issue an education, health and care plan within 20 weeks where assessment provides evidence this is required to meet the assessed needs.
  - the local authority must then secure an appropriate school place and must consult with parental preference.

#### 56. Corporate Plan

<b>An open and enabling organisation</b>	<b>A council which empowers and cares about people</b>	<b>A thriving and sustainable place</b>
Ensure that there is transparency in all		

aspects of council decision making	<p>Increase opportunities for all children and young adults with additional needs</p> <p>Ensure all children have a high quality, enjoyable education that enables them to achieve their full potential</p>	A great place for people to live, work and visit
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### *Equality, Diversity and Inclusion*

- 57.** The SEND Code of Practice looks to ensure the assessed additional needs of children with special education needs are provided for to enable them to reach agreed outcomes and therefore address inequality in outcomes.

### *Human Resources*

- 58.** There are no direct implications on human resources.

### *Risk Management*

- 59.** The council's approved DSG management plan reflects deficit balances over the medium term. External support and access to evidence-based practice may help us to reduce this forecast through additional capacity and invest to save funding. However, the position is not recoverable under current assumptions.
- 60.** The council needs to consider all options to reduce the deficit DSG reserve. This could be through invest to save type measures or direct use of any additional funding to off-set the deficit.
- 61.** The use of the additional funding considers the DfE guidance, issues over reputational risk and relationships with settings and the need to reduce the deficit.

### *Rural Communities*

- 62.** There are no direct implications for rural communities.

### *Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)*

- 63.** It is essential that the council makes best use of resources to ensure that children and young people receive the services they need and must be provided.
- 64.** The council has approved its Children's Vision which contains a priority to support children with additional needs to achieve their aspirations.

### *Public Health*

65. There are no direct implications for public health.

*Climate Change*

51. There are no direct implications for climate change.

Access to Information	
Contact Officer:	Claire Williamson <a href="mailto:Claire.williamson@cheshireeast.gov.uk">Claire.williamson@cheshireeast.gov.uk</a>
Appendices:	None
Background Papers:	<a href="#">DSG: conditions of grant 2023 to 2024 - GOV.UK (www.gov.uk)</a> Annex B  <a href="#">High needs funding: 2023 to 2024 operational guide - GOV.UK (www.gov.uk)</a> Annex 2  <a href="#">Decision report template (cheshireeast.gov.uk)</a> – additional HN  <a href="#">Decision report template (cheshireeast.gov.uk)</a> – DSG mgmt. plan  <a href="#">Dedicated Schools Grant Management Plan - Appendix 1.pdf (cheshireeast.gov.uk)</a>