



## SCHOOLS FORUM

### Resetting the SEN Finance System

4 November 2024

| Content Applicable to;      |   | School Phase;    |   |
|-----------------------------|---|------------------|---|
| Maintained Schools          | X | Pre School       |   |
| Academies                   | X | Foundation Stage | X |
| PVI Settings                |   | Primary          | X |
| Special Schools / Academies | X | Secondary        | X |
| Local Authority             | X | Post 16          |   |
|                             |   | High Needs       | X |

#### Purpose of Report

| Content Requires;   |   | By;                                 |   |
|---|---|-------------------------------------|---|
| Noting  | X | Maintained Primary School Members   |   |
| Decision  | X | Maintained Secondary School Members |   |
| <i>Individual requirements are set out in each recommendation</i> |   | Maintained Special School Members   |   |
|   |   | Academy Members                     |   |
|   |   | All Schools Forum                   | X |

#### Recommendations

1. That Schools Forum note the responses to the consultation on Resetting the SEN Finance System
2. That Schools Forum note and consider the local authority response to the key themes within consultation responses.
3. That Schools Forum support the establishment of a SEND Investment Fund
4. That Schools Forum approve a 0.5% transfer of funding from the Schools Block to the High Needs Block of the Dedicated Schools Grant to establish a SEND Investment Fund.

5. That Schools Forum note the next steps of the local authority should Schools Forum not approve the proposed 0.5% transfer, notably to seek a decision from the County Councils Cabinet on 22 November 2024 on seeking Secretary of State approval.

### **Background**

6. Schools Forum has been made aware of the High Needs overspend including drivers, mitigations and impact together with the local authority's approach to firstly the High Needs Block Development Plan which led to the significant expansion of specialist places in Leicestershire and latterly the Transforming SEND and Inclusion in Leicestershire (TSIL) programme to transform delivery of SEN services in schools and the local authority.
7. Schools Forum received a report on 18 June 2024 which set out the intention to seek a 0.5% transfer of funding from the Schools Block to the High Needs Block of the Dedicated Schools Grant for 2025/26, the reasons for it and the approach to be taken. A further report was presented on 17<sup>th</sup> September confirming the approach and setting out a consultation on the establishment of a SEN Investment Fund from the transfer.
8. This report presents the full and unabridged consultation feedback and a local authority response to some key themes within it in order to inform Schools Forum to take a decision on the consultation proposals.

### **Consultation Outcome**

9. In total of 70 responses to the consultation, 6 were discounted as duplicate responses from the same schools resulting in 64 responses counted within the survey representing 23.3% of Leicestershire maintained schools and academies received. In addition a number of direct emails were received.
10. Of the 70 consultation responses received there were a significant number of responses that gave an identical response to some questions' 90% of responses declared their response was the official response to the consultation therefore these duplicate responses were treated as one response from the Trust or school.
11. In total 15 email responses were received including one from the Schools Forum. Of these 15 submitted, 14 were duplicative responses from schools within the same Multi Academy Trust and as each schools also submitted a formal consultation response, again these were treated as a single response.
12. The response to the proposals within the consultation can be summarized :
  - a. **To what extent do you agree or disagree with our proposal to create a SEND Investment fund to enable investment in targeted actions to improve pupil outcomes?** 83% of responses strongly disagreed with the proposal, 15% either strongly agreed or agreed. The key points in the responses were the local authority's ability to administer a fund effectively and the financial impact of a 0.5% transfer.

Whilst the responses present a view of the consultation proposals as a whole they largely refer to not supporting a transfer, the LA's capacity and ability to deliver and school level affordability. These are important factors for

consideration they do not provide a Leicestershire school opinion on the specific proposal to establish a SEND Investment Fund.

- b. **To what extent do you agree or disagree that Social, Emotional and Mental Health (SEMH) should be the initial focus of a SEND Investment Fund?** 65% of responses strongly disagree with the proposal with 21% either strongly agreed or agreed. The individual responses largely gave disagreement with a funding transfer as the reason for the responses together with comments on how a fund would operate and some comments agreeing that SEMH was a pressing need.
- c. **Do you have any comments on how a SEND Investment Fund should be delivered and governed?** This was purposely an open question to gauge schools view to inform the development of a fund and fully engage with schools on its development and operation given previous attempts to co-produce this have not proved successful. Responses again largely focused on disagreement with the proposed 0.5% funding transfer with many submitting the exact same text.
- d. **To what extent do you agree or disagree with our proposal for an annual funding transfer of 0.5% to Establish a SEND Investment Fund?** 86% of responses strongly disagreed with 9% either strongly or tending to agree. Comments refer to the uneven impact at schools with schools with higher SEN needs contributing more to the transfer. Many responses use the exact same text.

13. The full consultation survey responses are included as Appendix A and the emails received as Appendix B, please note only one copy of the 14 emails submitting the same text is included .

### **Key Themes within the Consultation Responses**

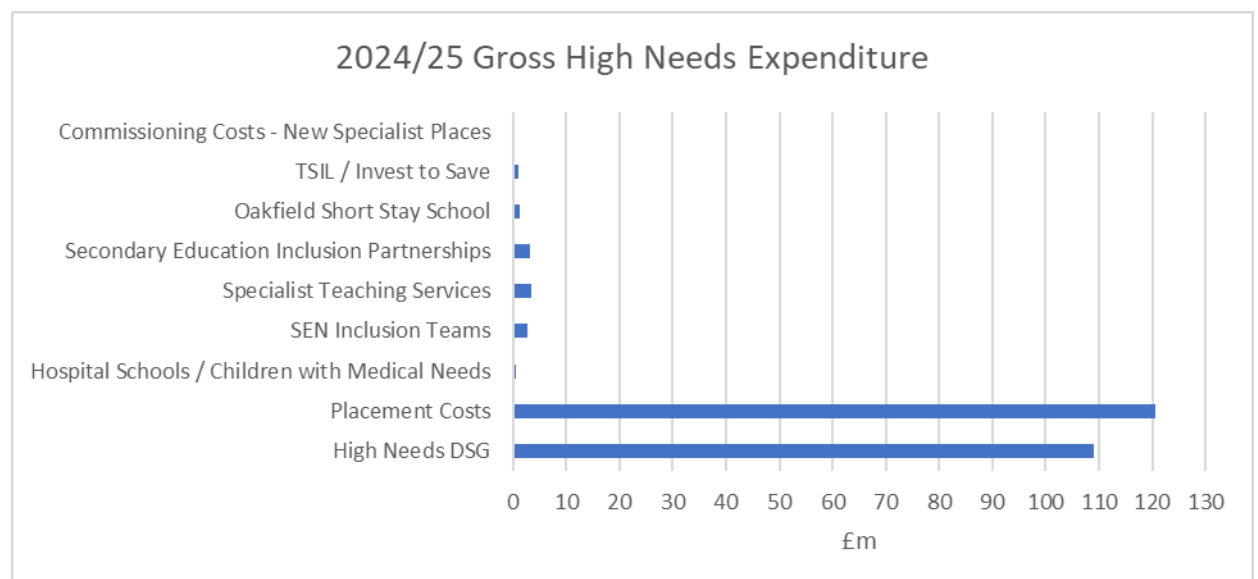
14. The key themes within the consultation and the local authority response are set out below:

- a) School Underfunding – prior to the introduction of the National Funding Formula (NFF) Leicestershire schools were funded lower than the national average. The NFF introduced a funding system where pupils with the same characteristics are funded the same irrespective of the local authority in which they are educated. Whilst local authorities remain able to set their own funding formulae, national restrictions have been tightened to ensure schools are funded by the NFF. Leicestershire adopted the NFF from its introduction in 2018 meaning that Leicestershire maintained schools and academies are funded at the values set nationally.

Schools are often supporting pupils with SEN needs by the use of Teaching Assistants (TA), research by the Education Endowment Foundation recommends prioritising TA capacity towards specialist targeted intervention as opposed to informal teaching resource. TA's also work more closely with pupils from low-income backgrounds. Indeed, expenditure on TAs is one of the most common uses of the Pupil Premium in primary schools, a government initiative that assigns funding to schools in proportion to the number of pupils on FSM, which within the

school funding system is a factor that directly correlated to the incidence of SEN. The combination of these factors means that nationally schools now spend approximately £4.4 billion each year on TAs, corresponding to 13% of the education budget. This presents an excellent opportunity for improvements in practice, with such a large and already committed resource in place. The SEND Investment Fund could kick start such a change, increase financial efficacy and deliver improved pupil outcomes. The way we are currently using the funding in the SEN system is not meeting the needs of our pupils.

- b) Mismanagement of High Needs by the Local Authority. High needs expenditure is driven by the volume of Children and Young People being assessed as having high needs through the EHCP process. As set out in the, consultation, and set out below for ease of reference, Leicestershire spends £120m on placement costs against a £109m grant income. Placement costs include special schools, independent schools, resource bases and unit and additional funding into mainstream school to support individual pupils needs. pupil needs are identified via the Education Health and Care plan. .

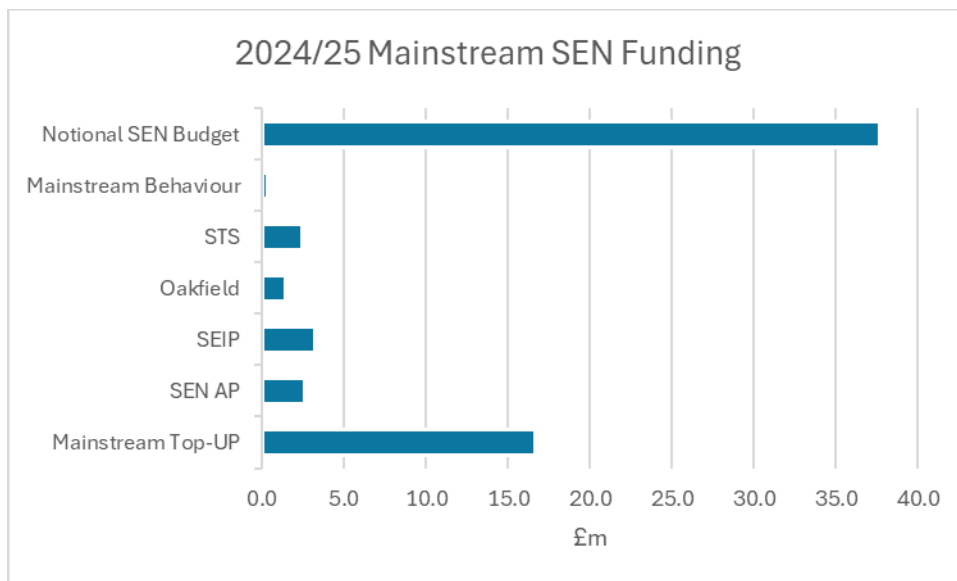


The financial position is the result of a growth in demand, c22 additional assessments per month have been received since September 2023 and has led to average annual number of EHCNA requests increasing from 1,272 to 1,533 over the same time period. This is an increase over this period of around 21% which is significantly higher than other authorities in the region. Around 55-60% of EHCNAs translate into EHCPs. We are expecting by the time we do the next SEN2 submission in January 2025 we will have over 7,000 EHCPs in place. Currently 6,981 active EHCPs are in place which is already an increase of 10.9% on the previous year to date with over 2 months of the calendar year to go.

An initial report on the Delivering Better Value (DBV) programme has identified that across the participating authorities high needs expenditure rose by 23.5% between 2020 and 2022 with a growth in EHCP caseload accounting for 90.7% of the increase with growth in costs reported to be below inflation. In Leicestershire

over the same period expenditure increased by 9.1% with an increase in the average placement cost of 0.6% which is a significantly better position than authorities with significant high needs deficits.

- c) Lack of Faith in the Local Authority to Deliver. The consultation sought to set out a different approach to the funding of pupils with SEND in mainstream schools by reorganising the funding that sits across the SEN system in order to develop approaches in schools and increase capacity and support within schools with an Investment Fund ring fenced to schools. In total £64.3m of funding for SEN is directed to mainstream schools', equivalent to 59% of the High needs Dedicated Schools Grant received from the department for Education. Of this £26.6m is funded through high needs with a further £37.7m of Notional SEN provided directly to schools:



In addition to the funding set out above funding for behaviour support, excluding Oakfield and the SEIP's, is fully delegated to schools.

Additionally, the consultation sought views on how the Investment Fund should be delivered and governed in order the fund could be used most effectively with the full engagement of, and accountability to, schools within that process. This could include an option of a fund governed by schools with collective and consistent decisions taken on the deployment of all mainstream funding in the SEND system.

- d) The Local Authority is not supporting pupils with SEND. Supporting children and young people with SEND is a joint responsibility for school and local authorities. Schools should identify needs at the earliest opportunity and use their best endeavours to meet SEND needs with the local authority supporting those children and young people that cannot have their needs met in mainstream. The local authority has invested in the SEN system through the provision of capital to expand local specialist provision and also through investment in the former High Needs Block Development Plan and latterly TSIL and is supporting significant levels of overspend without any reduction in services. However, EHCP's continue to increase and the rate of growth in Leicestershire is higher than that in other local authorities. Without reducing the rate of growth in EHCP's the SEND system will remain exceptionally pressurised, and we need to think differently on how the resources we have within the system are deployed.

The key to addressing the issues currently being encountered in Leicestershire is ensuring that mainstream schools are better able to meet needs through Ordinarily Available Provision which through time will ensure more pupils have their needs met in mainstream and reducing the need for the specialist provision

- e) Political bias within the proposals. The funding framework for schools and high needs is set nationally by the Department for Education with limited local ability to change and schools are funded in accordance with the NFF.

As set out within the consultation document, and indeed in many reports to Schools Forum, the NFF contains two mandatory levels of protection to school funding. Firstly, the Minimum Per Pupil Funding Level (MPPL) means all schools receive a guaranteed level of funding for each pupil, secondly, the Minimum Funding Guarantee (MFG) limits turbulence due to annual changes in pupil characteristics. Schools triggering either of these protections are funded at the funding floor and as such cannot contribute to the funding transfer.

The differences seen in the impact of the proposals at individual school level is wholly the result of the way the NFF funds different pupil characteristics and national decisions taken by the DfE on the investment of additional school funding.

- f) TSIL has not delivered improvement to the SEND system. TSIL is a supported and measured approach to sustainable systemic change in the SEND system TSIL has delivered more robust and consistent decision making through the introduction of more robust triage and decision making processes, the proportion of EHCNAs with Decisions to Assess and Decisions to Issue has reduced over time and is now in line with operational targets. This is also being seen through a significant year on year reduction in tribunal requests overall (as at 7th October requests were down 14% year on year), and specifically on tribunals around refusal to assess or refusal to issue.

Further evidence of the growing success of TSIL is that mediation requests are also down overall 10% year on year. Refusal to assess requests are down on previous years however requests around refusal to issue have increased slightly. Where mediation has been held, a slightly higher proportion of refusals to issue are being upheld than in previous years (2024 year to date - 9 upheld, 21 overturned against 2023 position – 5 upheld, 21 overturned).

Increased focus on the placement decisions for children entering into the SEND system in the Foundation Stage has reduced the number of early years not having an appropriate and finalised school placement for first time admission from September 2024, this includes building mainstream capacity to meet the needs and avoiding the use of specialist provision. Needs scoring for the 2025 intake for children with SEND has already been completed, and the Early Years team are working with families and early years settings to encourage early applications for school places appropriate to meet the needs of each child.

The outcome of these actions identifies benefits beginning to flow through the system which will take a number of years to flow through the system.

- g) Reducing School Budgets. The proposals do not reduce the funding currently available to schools through the NFF and would reduce any annual gain in funding at a school level between 2024/25 and 2025/26. The illustrated figures presented within the consultation documentation show how much less a school

would have gained in 2024/25 had the transfer been undertaken in this financial year.

- h) Schools with the highest incidence of SEN lose the most funding. It is important to recognise that through these proposals schools will not lose funding, the transfer will limit the level of funding gain a school will receive between 2024/25 and 2025/26. Reports previously presented to Schools Forum on the Notional SEN Review in November 2023 and School Financial Standing in September 2024 bring together a review of the Notional SEN Budget and the pupil characteristics that drive school funding. Both documents set out that there is no correlation between the number of pupils with SEN, the school funding system and levels of deprivation despite factors such as Free School Meals, Ever6 and Low prior Attainment being seen as proxy indicators of SEN. The schools contributing the most to the transfer in the documentation are those schools where changes in pupil characteristics generate more funding, that may be the result of schools having more pupils attracting the additional factors within the NFF or decisions taken by the DFE to invest additional school funding on particular funding factors.
- i) Underfunding. It is difficult to align the current financial position totally with underfunding when looking generally at the Leicestershire population. The formula for the High Needs Dedicated Schools Grant does not consider the number of EHCP's in determining funding, that was a conscious national policy decision to avoid any perverse indicators that could lead to an increase in EHCP's. However, the high needs formula is not sufficiently responsive to changes in demand, funding guarantees are given on a per head of the 2 – 18 year old population basis yet local authorities are required to support SEND needs for ages 0 -25 and special school places need to be funded at £10,000 but funding is £4,660 per place within the formula.

In term of general population need, despite pockets of deprivation, Leicestershire is deemed a low need authority. In terms of DSG, benchmarking shows Leicestershire low in terms of the population that triggers additional funding yet high in the number of EHCP's. Whilst the overall funding position is a factor in the rates able to be paid there is evidence to suggest 'band creep' i.e. the proportion of pupils with 25+ hours of support and indeed pupils in the higher bands in special schools have grown which may be the systems response to funding rates, this position is also now being recorded nationally.

Simply demand and funding are out of line, previous research by the ISOS Group for the Local Government Association however sets out that additional funding alone is not the answer to the current problems.

Every opportunity to lobby for fairer funding have been and will continue to be taken, there is little chance of sufficient new Government funding to address the national deficit position. Whilst there is only limited ability to influence funding, the ability to influence demand is within the gift of schools and the local authority. The proposals presented within the consultation offer the best approach for a co-produced approach to the problems within the SEND system through aligning responsibility appropriately and utilising the funding in the SEN system to influence future demand.

- j) Support and Training for Schools. The manner in which schools make provision for pupils with SEND is for individual schools to consider. Support services and

training are available in the LA through the Inclusion Teams and Specialist Teaching Services. The consultation documentation sets out that this would be an appropriate use of the SEND Investment Fund.

It has been recognised that the specificity within the mainstream schools for equivalent hours can be a barrier to innovation and lead to pressure for 1:1 adult support for pupils which may not be appropriate to their needs. To respond to this the local authority is developing a Banding and Tariffs model for funding EHCP's. This based on banding descriptors that have been co-produced with schools and follow the principles set out with the DfE's Change Programme.

- h) Evidence base for SEMH. SEMH is a prevalent need within EHCP's and Inclusion Service workload. The proportion of EHCPs with SEMH as a primary need has increased from 10% to 14% between 19/20 and 23/24. As of 21/10/24, there are 804 pupils of statutory school age with SEMH identified as a primary need on their EHCP. SEMH is also a significant secondary need, making up another 9% of cases where this has been recorded, bringing the total of EHCPs recorded with SEMH as a primary or secondary need to at least 23%.

SEMH is also identified as a primary need for significant numbers of children and young people identifying as requiring SEN support. Schools are finding this a very challenging area to manage, and we have seen an increase in suspensions and permanent exclusions as a result. Increased pressure is being placed on our pupil referral unit at Oakfield Short Stay School (Primary) or our Secondary Education and Inclusion Partnerships (SEIPs).

In September 2024, the Inclusion Service held the cases of 189 pupils missing out on education and 164 children with medical needs. Referrals into the service for these children are due to poor mental health in the majority – children with anxiety are missing school and needing support to attend. The longer they are out of the classroom, the more work is required to reintegrate them. Additionally the caseload for both Oakfield and the SEIP's is also growing.

Providing local interventions on school sites and providing in school support, would enable CYP who are struggling to regulate their behaviour to achieve some successes on their own setting, rather than seeing this as something that happens externally to school. This will enable them to maintain their connection to their school and be able to integrate fully when work has been completed and also reduce the cost of in school support.

### **Inclusive Schools**

16. The SEND and AP Improvement Plan sets out a vision where children and young People's SEN need are met within an environment of high-quality services and support in mainstream settings, alongside swift access to more local state specialist settings, where required. The National Audit Office further sets out that schools are not incentivised to be inclusive.
17. The DfE use school level data collected through the annual SEN2 data collection of a measure they feel shows how inclusive schools are by comparing the number of pupils receiving SEN Support or have an EHCP. The Leicestershire data suggests on inclusivity measure of 15.7% and with a range of 3.3% to 56.3%. Whilst accepting this can be viewed as a measure of identification rather than a willingness of schools to meet needs it does suggest that pupil outcomes and schools individual approaches to SEN very different across Leicestershire. Increasing the cohort of SEN pupils in mainstream by better equipping schools and practitioners to meet



needs and reducing the need for specialist provision will result in pupils having the same educational experience as their peers in their communities.

### **SEMH and the SEND Investment Fund**

18. As identified in earlier sections of this report SEMH is the primary focus of the proposed SEND Investment Fund given its prevalence within the Leicestershire EHCP population but also within inclusion support services such as Oakfield and the SEIP's, Children with Medical Needs and Children Missing Education. Additionally, although not represented within the consultation results, schools refer to this being one of the most pressing needs and a significant factor disrupting the deliver of education in schools.
19. The DBV programme has also identified that:
  - 4 in 5 children and young people with SEND are not being supported in the most effective way.
  - Children and Young People with SEMH are more prominently represented in Independent Special Schools and Alternative Provision
  - A greater use of mainstream support or the use of Resource Bases would improve outcomes
  - Support is being accessed too late
  - A significant barrier to effective support is the lack of existence or usage of specialist support services.

The local position in Leicestershire and the research undertaken in DBV authorities presents a compelling case for change which can be effectively supported by using current resources differently and at an earlier point in pupil's educational journey, meet need earlier and more effectively by the use of consistent and evidence based actions this reducing pressure in schools and within the SEND system.

### **The Focus of Leicestershire's SEND Investment Fund**

20. In the absence of an ability to work with school leaders to develop the focus of the SEND Investment fund the local authority has developed the initial focus of the fund which will enable capacity to be built within mainstream schools to address the SEMH issues as seen locally and indeed nationally. The fund will ensure that funding remains within the mainstream sector who will benefit from its activity and will ensure the co-production of sustainable solutions to improved pupil outcomes to the benefit of all children and young people, and their parents and carers in Leicestershire whilst being an effective use of funding. Without an investment fund the local authority would have no option other than to seek a transfer purely as a financial transaction to reduce the ever-growing deficit.
21. Currently, high numbers of children with SEMH as an identified need are coming to panels through a request for assessment. This is because there is a limited offer for supporting these children outside of the SEND system. Children with anxiety present with attendance issues. Where these are severe, they are support through the Children with Medical Needs process. This offers them tuition in their own home. There is an increase in the number of children being sent to alternative provision by mainstream schools. While this supports some of their needs, it makes reintegration

very challenging and can lead to reduced academic progress due to missed time in school.

22. We will introduce a system of in-reach support for schools that upskills staff working with children who have SEMH needs. This would comprise of staff going into schools to support teachers and support staff through observations, modelling and solution circles. Staff would be comprised of existing local authority staff, seconded staff from schools in similar circumstances schools and newly recruited staff. From local authority practice in Walsall and Bedford, there is evidence that seconding school staff has a dual benefit to both the releasing school and the school being supported.
23. In addition to the support for staff, we will deliver an offer of bespoke in-school intensive support for children and young people outside of their classroom. This would be co-produced with schools. It would take place at the times within the time where triggers are observed. The provision would seek to help CYP manage their emotions but would have an academic focus to develop the skills that their peers are working on in the classroom. There may be an additional focus in the sessions – such as art, craft or music to engage children and promote the skills that they need to secure.
24. The offer will support parents to fully understand what support mainstream schools can be expected to provide. They would also present parents with data around the attainment and progress of CYP placed in specialist provision compared with those who remain at a mainstream school. Successes could be highlighted and celebrated to raise awareness of what is possible for CYP.
25. There will be an additional offer of an online clinic that staff could attend to share their issues and seek advice. Schools could nominate the staff that they wish to benefit from these clinics. These would be bookable and complement existing forums and practitioner advice. Clinics would have a specific focus: KS1&2, KS3 and KS4. Parents and carers express worries around a lack of understanding in schools of mental health disorders in children and young people.
26. The SEND Investment Fund will deliver:
  - A reduction in the number of EHCNA requests. In Walsall and Bradford, in in reach support for schools using seconded school staff resulted in a ~30% reduction in EHCNA requests.
  - A reduction in the number of young people being referred to the SEIPs – these are children at KS3&4 who have been excluded or are at imminent risk of this.
  - We envisage a reduction in the number of young people being referred to Oakfield Short Stay School – these are children at KS1&2 who have been excluded or are at imminent risk of this.
  - Children with SEMH needs are often placed on part time timetables or suspended. This leads to a loss of their sense of belonging to their school and denies them their right to a full education. By providing bespoke in-school intensive support for children and young people outside of their classroom, children will have the respite that they need whilst still remaining in school and accessing a full-time education.

- Pupil outcomes at KS4 for YP in alternative provision are limited to core subjects and a vocational offer. By enabling students to remain in school, their chances of gaining 5+ GCSEs are increased significantly.
27. A Steering Group of school leaders will be established to determine the governance arrangements that will give schools full confidence in the use of the SEND Investment Fund including determining priorities and focus, the performance indicators to support it's use with a focus upon pupil outcomes but also the financial benefits for both schools and the Local Authority. Links with the TSIL programme will be established to ensure consistency in direction of travel and build on the benefits now being delivered across the SEND system.

### **Uncertain Government Policy**

28. There is current uncertainty with respect to government policy for the future of SEND and how it will be funded in the future. However, the unsustainability of the current system appears to have been recognised. It is uncertain at the time of writing this report what the outcome of the Chancellors Budget on 30 November will mean and whether there will be additional High Needs Funding, an update will be given at the meeting.
29. Over recent weeks there have been a number of media reports alluding to a broken SEND system, it is uncertain how the Government may respond to these. Whatever any change in policy may be to gain change in such a complex system is unlikely to be delivered quickly and impact may not be seen for a number of years. Taking the introduction of the NFF for mainstream schools as an example, the first stage of that were in 2018/19 and it is still not fully implemented. Whilst it may be likely to gauge the Governments direction of travel from the 30 October budget, there is little possibility of a short-term fix, as such the local authority has no alternative to puch forward with these proposals.
30. The High Needs Financial Plan includes an overall cash increase in High Needs DSG of 3% annually which is the advice previously given by the DfE. As set out throughout this report the financial pressure is significant, placement spend exceeds the current grant and centrally funded services such as Oakfield, the SEIP's, Specialist Teaching services are, just as schools, coping to deal with inflationary pressures that are not recognised within the grant allocation.
31. The previous government published details of the Schools NFF and indicative DSG allocations annually in July, this set parameters and gave planning assumptions on which to determine local funding strategy, with final allocations published in December. This has not happened for 2025/26 as such it is impossible to set out any financial impact on the current proposals arising from the 2025/26 funding settlement. Given that October school census data is integral to the distribution of the settlement there is a possibility that no detailed information will be received until December.
32. There are two potential impacts arising from the Governments Budget:
- a) There is an increase in the NFF allocation resulting in additional mainstream school funding. In this situation the local authority would continue with the proposal for a funding transfer of 0.5%, the financial yield would increase and the value of the SEND Investment fund would increase. As set out in the consultation the implications for individual schools would differ from the illustrations within, the

methodology for the transfer would be unchanged but capping and scaling percentages would be adjusted to deliver the 0.5% transfer resulting in the impact at individual school level being less than set out in the consultation illustrative impact.

- b) High Needs DSG may increase above the 3% contained within the financial planning assumptions. In this case the local authority would continue with the proposals to transfer 0.5%. The 0.5% transfer would remain with the funding yielded from that ring fences for the SEN Investment Fund and additional DSG allocated to the general financial pressure in high needs.
33. The local authority will follow the principles set out above in its budget submissions to the County Council and to the DfE in terms of setting school budgets. The final position will be reported to Schools Forum in the annual Schools Budget report in February 2025.

### **Conclusions**

34. The feedback from the consultation overwhelmingly opposed undertaking the schools block transfer and there was little support for the development of a SEN investment fund. Whilst this feedback was clear, demand is growing at a faster rate than anticipated within Medium Term Financial Strategy which is unsustainable, cost reductions are outstripped by this demand which is out of line with that being encountered in other local authorities. Whilst the High needs position is a concern nationally as well as locally, local actions are necessary and one of those to be considered is a more targeted use of the funding across the SEND system through a transfer of funding. This is a process that has been successfully undertaken in other authorities albeit most, but not all, with the support of their schools and with Schools Forum approval. There simply is no more funding that can be introduced to address the current problems, and the financial position is totally unsustainable.
35. This leaves the Local Authority with no option but to progress with a transfer of 0.5% from the Schools Block to the High Needs block of the Dedicated schools Grant and use that funding to establish the SEND Investment Fund. Undertaking this will allow for targeted actions to be co-produced with school leaders and increase capacity and support for schools to deliver actions which will reduce demand on the SEND system in a structured and using evidence-based actions.
36. The local authority has sought fully engage schools in developing these proposals:
- Schools Forum on June 18 received the local authority's proposal for the SEND Investment Fund which set out a desire for that to be co-produced with schools. It sought the engagement of school leaders and the Schools Forum in developing that fund including how it would be managed and governed.
  - A meeting held was held with school leaders on July 1 where a clear view was expressed that schools would not wish to be engaged in its development. The DBV programme identifies a number of issues that can be addressed by a more consistent approach to meeting needs, developing support and training for practitioners that can result in pupils receiving appropriate and consistent support, learning from evidence based good practice, can deliver better outcomes for pupils. The local authority will retain the establishment of a SEN investment Fund from a funding transfer, not only as a financial adjustment as recognised by schools in the consultation responses but as a whole system change in the way funding is used across all Leicestershire schools as a tool to improve pupil outcomes.

- Schools Forum on 17 September received a report setting out the intention to progress with a transfer with
  - The consultation sought views from schools on the principles of the proposals and also how such a fund could be established
  - Schools Forum on 17 September receive a report clearly setting out that there was no direct correlation between the SEN population in individual schools with the pupil characteristics that generate the school budget and their financial standing
37. Schools Forum are recommended to agree the establishment of a SEND Improvement Fund funded by a transfer of 0.5% of funding (c£2.6m) from the Schools Block to the High Needs Block. Schools Forum will also be asked to set out the reasons for those decisions.
38. Should Schools Forum not approve a transfer the County Council's Cabinet will be asked for a decision to request Secretary of State approval at its meeting on 22 November. This is outside the timeline set by the DfE for submission of the necessary documentation to support the request, as such this will be submitted in advance of the Cabinet meeting and either confirmed, amended or withdrawn in accordance with that decision.

### **Resource Implications**

39. The financial position of the High Needs Block is shown the table below research undertaken by the Local Government Association identifies that additional funding alone will not resolve this and action urgently need to be taken to reduce demand. As can be seen the transfer does not resolve the financial position but it begins a process of understanding that the local authority alone cannot resolve the financial problem and co-ownership of the issues and future actions. The financial position is not one of financial mismanagement but a outcome of extreme demand within the SEND system which makes it inefficient both at school and LA level.

|  | 2024/25<br>£,000 | 2025/26<br>£,000 | 2026/27<br>£,000 | 2027/28<br>£,000 |
|--|------------------|------------------|------------------|------------------|
| High Needs Dedicated Schools Grant                     | -109,176         | -112,430         | -115,781         | -119,233         |
| Placement Costs  | 120,579          | 133,297          | 147,279          | 162,705          |
| Other HNB Cost   | 11,665           | 12,265           | 12,265           | 12,265           |
| Commissioning Cost - New Places                        | 162              | 37               | 0                | 0                |
| SEN Investment Fund - Schools Block Transfer           |                  | -2,600           | -2,700           | -2,800           |
| SEN Investment Fund - SEMH                             |                  | 2,600            | 2,700            | 2,800            |
| <b>Total Expenditure</b>                               | <b>132,406</b>   | <b>145,599</b>   | <b>159,544</b>   | <b>174,970</b>   |
| <b>Funding Gap Pre Savings</b>                         | <b>23,230</b>    | <b>33,169</b>    | <b>43,763</b>    | <b>55,737</b>    |
| TSL Programme Defined Opportunities                    | -3,788           | -10,976          | -19,195          | -27,666          |
| Increase in Local Specialist Places                    | -2,480           | -5,995           | -9,868           | -13,803          |
| Impact of SEN Investment Fund - Reduced EHCP's         |                  | -2,600           | -2,970           | -3,360           |
| <b>Total Savings</b>                                   | <b>-6,268</b>    | <b>-19,572</b>   | <b>-32,033</b>   | <b>-44,829</b>   |
| <b>Annual Revenue Funding Gap / Planned Deficit</b>    | <b>16,963</b>    | <b>13,597</b>    | <b>11,730</b>    | <b>10,908</b>    |
| <b>2019/20 Deficit Brought Forward</b>                 | <b>7,062</b>     |                  |                  |                  |
| <b>2020/21 High Needs Deficit Brought Forward</b>      | <b>10,423</b>    |                  |                  |                  |
| <b>2021/22 High Needs Deficit Brought Forward</b>      | <b>11,365</b>    |                  |                  |                  |
| <b>2022/23 High Needs Deficit Brought Forward</b>      | <b>6,683</b>     |                  |                  |                  |
| <b>2023/24 High Needs Deficit Brought Forward</b>      | <b>5,650</b>     |                  |                  |                  |
| <b>2024/25 Unplanned Deficit</b>                       | <b>3,488</b>     |                  |                  |                  |
| <b>Cummulative High Needs Funding Gap</b>              | <b>58,146</b>    | <b>71,743</b>    | <b>83,473</b>    | <b>94,381</b>    |
| Surplus (-ve) / Deficit Other DSG Blocks               | -8,060           | -8,057           | -7,557           | -4,957           |
| <b>Dedicated Schools Grant Surplus (-ve) / Deficit</b> | <b>50,086</b>    | <b>63,686</b>    | <b>75,916</b>    | <b>89,424</b>    |
| <b>High Needs Spend as % of High Needs DSG</b>         | <b>122%</b>      | <b>130%</b>      | <b>139%</b>      | <b>148%</b>      |
| <b>Surplus / Deficit as % of Total DSG</b>             | <b>7%</b>        | <b>9%</b>        | <b>10%</b>       | <b>12%</b>       |

As can be seen the expectation is that for 2025/26 the SEN Investment Fund delivers benefits equal to the investment through reduced EHCP number which scale upwards from 2026/27

40. There is uncertainty with respect to SEND funding over the medium term, earlier sections of this report set out the actions that the local authority will take should the 2025/26 funding settlement be outside the assumptions factored into the financial position presented in this report.

41. To set the context of the financial challenge the cumulative deficit forecast for 2024/25 equates to a Council Tax increase of 14% rising to 23% in 2027/28.
42. The DFE's Change Programme is the direct response to the SEND and AP Improvement Plan, it is uncertain whether the new Government will continue in the same direction. It is however clear that the speed of any reform through the Change Programme will be a longer term as such transformation of SEND services and indeed how funding within the SEND system is used is essential.
43. Currently a Statutory Accounts Override is in place meaning that local authorities do not have to offset the cost of the deficit by making cash provision, this is due to end in March 2026. The Government's approach to this is again uncertain but without some further intervention the high needs deficit is a real risk to the overall financial position of the local authority.
44. For schools the impact of the transfer would be 0.5%, c£2.6m less of an increase in funding for 2025/26, the transfer would not reduce current funding levels.

### **Equal Opportunity Issues**

45. A number of comments throughout the consultation responses refer to schools with higher number of SEND pupils being impacted by the proposals and the disproportionate impact of the transfer across Leicestershire Schools. It should be noted that a transfer with the establishment of the SEND Investment fund would ensure that all funding stayed within mainstream schools, a transfer taken directly to the High Needs Block would also ensure that funding stays within the SEND system and meet the ever-growing costs of placements.
46. Within the nationally set financial framework for school funding the only option of removing funding from the Schools Block to High Needs is by capping per pupil funding gains between years. Given that per pupil funding is protected at a level only slightly above the Age Weighted Pupil Unit (AWPU) as the only universal funding received by all pupils, funding gains are delivered within the NFF additional factors which are largely related to deprivation measures. There is no correlation between the level of pupils at individual schools recognised as having SEN needs and the pupil population as recorded on the School Census upon which the NFF is based.

### **Background Papers**

Schools Forum 18 June 2024 – Resetting the SEN Finance System

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=7734&Ver=4>

Schools Forum 17 September 2024 – SEN Investment Fund and Schools Block Transfer

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=7957&Ver=4>

Schools Forum 17 September 2024 – School Financial Standing

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=7957&Ver=4>

Schools Forum 21 November 2023 – 2023/24 Notional SEN Review

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1018&MId=7631&Ver=4>

Department for Education - SEND and Alternative Provision Improvement Plan

<https://www.gov.uk/government/publications/send-and-alternative-provision-improvement-plan>

National Audit Office – Support for children and young people with special educational needs

<https://www.nao.org.uk/reports/support-for-children-and-young-people-with-special-educational-needs/>

Department for Education – Delivering Better Value in SEND Phase1 Insight Summary

[https://cdn.prod.website-files.com/63b6e5debb4b0114060dc226/66421eaae18cb50ccc378780\\_66421a046d5569ec0ad11674\\_DBV%20-%20Phase%201%20Insights%20Summary\\_Website%20v1.0\\_Final.pdf](https://cdn.prod.website-files.com/63b6e5debb4b0114060dc226/66421eaae18cb50ccc378780_66421a046d5569ec0ad11674_DBV%20-%20Phase%201%20Insights%20Summary_Website%20v1.0_Final.pdf)

ISOS Report for the Local Government Association - Have we reached a 'tipping point'? Trends in spending for children and young people with SEND in England

<https://www.local.gov.uk/have-we-reached-tipping-point-trends-spending-children-and-young-people-send-england>

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