

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE High Needs Block (HNB): Update on 2024/25 projection and proposals for 2025/26	
REPORT OF Director of Education Commissioning and Inclusion	
FOR SUBMISSION TO Schools Forum	DATE 5 th February 2025
SUMMARY OF REPORT This report provides an updated financial projection on High Needs Block (HNB) spend for 2024/25 and reports a further increase in the deficit projection since the last report. Proposals for the 2025/26 HNB budget are made against this background and that are sustainable whilst also working to improve life outcomes for children/young people with high needs. The following documents have been used in the preparation of this report: <ul style="list-style-type: none"> • Local authority guidance on high needs sustainability June 2022 • Dedicated Schools Grant Allocations 2025-to-2026 published 18 December 2024 • High needs funding: 2025 to 2026 operational guide updated 15 January 2025 <p>Contact Officer: Di Osbourne, Head of SEND & Inclusion 5 Pancras Square, London N1C 4AG. 020 7974 8056 / di.osbourne@camden.gov.uk</p> <p>Paul Tanton, SEN Finance and Commissioning Manager 5 Pancras Square, London N1C 4AG. 020 7974 8007 / paul.tanton@camden.gov.uk</p>	
RECOMMENDATIONS The Schools' Forum is asked to: <ol style="list-style-type: none"> a) note the updated HNB position for 2024/25; b) agree the HNB Subgroup to oversee a review of key areas including ARP admission criteria and funding, the growth in our use of independent and non-maintained special schools, Education Other Than At School (EOTAS) packages and alternative provision c) agree an interim change to the formula for devolved funding to Camden mainstream schools pending a fuller review of mainstream high needs funding. 	

Signed:



Vikram Hansrani, Director of Education Commissioning and Inclusion

Date: 24th January 2025

1 PART (A) Projected High Needs Block spend 2024/25

1.1 The report to Schools Forum in November 2024 projected an increased in-year overspend in 2024/25 of £2.1m and presented a model, based on assumptions over growth in spend and funding increases, seeing the cumulative HNB reserves eroded by 2026/27. This report updates that position based on continued monitoring and reports an increased projection of an in-year overspend for 2024/25 to £2.6m. This higher projection is summarised in the following table.

Table 1: High Needs Block spend summary 2020/21 to 2023/24 with updated 2024/25 projection:

	2020/21	2021/22	2022/23	2023/24	2024/25 projection
Camden Early Years (incl PVLs: Private, Voluntary & Independent settings)	229,139	248,756	531,315	8,914	525,000
Camden mainstream	7,652,592	7,961,996	9,898,599	13,097,058	16,013,050
Camden additionally resourced provision	1,540,495	1,631,166	1,912,684	2,612,905	2,737,100
Camden special	9,270,303	9,883,194	10,434,532	11,275,619	11,727,340
Camden Pupil Referral Units (PRUs)	2,961,165	3,059,136	3,459,343	3,560,916	3,662,629
Camden hospital schools	2,850,852	3,339,621	3,731,216	4,027,525	4,142,239
total (direct) Camden schools	24,504,546	26,123,869	29,967,688	34,582,937	38,807,358
other Local Authority maintained (mainstream & special)	2,542,350	2,768,445	3,230,649	3,432,026	3,500,000
independent & non-maintained special schools	2,889,003	3,491,264	3,807,974	5,130,960	5,516,000
independent mainstream schools	214,838	315,523	265,665	354,736	400,000
total non Camden schools	5,646,190	6,575,232	7,304,288	8,917,722	9,416,000
Further Education	2,837,520	3,167,165	3,307,705	3,401,959	3,500,000
other support (therapy/individual tuition/equipment)	655,351	789,788	994,627	1,381,368	2,181,314
Transformation support to Camden schools		176,255	239,457	224,025	185,870
outreach services	275,963	275,963	275,963	430,201	490,000
central services	1,625,545	1,697,237	1,576,975	1,924,876	2,363,885
Total HNB spend	35,545,115	38,805,510	43,666,704	50,863,089	56,944,427
High Needs Block funding received	-37,543,927	-41,721,841	-47,683,948	-52,271,590	-54,345,488
DSG Reserve (- addition/+ withdrawal) (Dedicated Schools Grant)	-1,998,812	-2,916,331	-4,017,244	-1,408,501	2,598,939
Contribution to PRU projects from HNB reserves	151,754	72,506			
cumulative HNB reserves balance	2,024,735	4,868,561	8,885,805	10,294,306	7,695,367

1.2 The total projected HNB spend for 2024/25 as shown is £56.94m (up £0.5m from the £56.4m predicted in November 2024). This represents a 12.0% increase on the £50.86m spent in 2023/24. This increase in spend comes from both inflationary pressure and increased numbers of children/young people being identified as high needs and their placements, as well as spend on additional initiatives. Table 2 shows an overall increase in numbers of Camden residents (age 0-25) identified as high needs have increased 9.5% in the last year.

Table 2: Total Numbers of EHC plans and ENG 2024 to 2025

	Jan-24	09/01/2025	
EHCp	1,532	1,609	5.0%
ENG	200	288	44.0%
	<u>1,732</u>	<u>1,897</u>	9.5%

In addition, as table 3 shows there has been an 20% increase in pupil accessing high needs funding (whether with Education Health & Care (EHC) plans or an Exceptional Need Grant (ENG)) in Camden mainstream schools (not including Additionally Resourced Provision (ARPs)) in the last year.

Table 3: Total Number of EHC plans and ENG in mainstream schools (excluding ARPs) 2024 to 2025

	Jan-24	09/01/2025	growth
EHCp	473	521	10.1%
ENG	199	288	44.7%
	<u>672</u>	<u>809</u>	20.4%

1.3 More specifically the additional £0.5m in the in-year projection relates to:

- Projected payments to Camden schools increased by £271,870. Much of this relates to an increase in the projected proportionality payments to Camden mainstream schools (see paragraph 2.7 onwards below). This reflects higher numbers in Camden mainstream schools (as table 3 above).
- An increase in projected spend on independent schools (special and mainstream) by £296,000. This reflects 3 new SEN placements, agreement to joint funding of 3 residential care placements as well as some minor price adjustments/movements.
- An increase in projected spend on individual tuition by £130,000 (to £1.48m).
- Some small reductions in the projections for therapy, training and recharges to other SEND & Inclusion services
- This is also offset by a slight increase in HNB funding (£24,000) and other miscellaneous grant income.

2 PART (B) Proposals for 2025/26

2.1 The latest allocations published by the DfE (issued 18 December 2024) show Camden's HNB for 2025/26 rising to £58,584,622. This figure however includes some elements that will be adjusted in due course. Adjustments will relate to:

- the outcome of high need place change process (confirmed 16 January 2025 and expected to result in a reduction of £80,000).
- relevant census returns, and.
- the import/export adjustment (drawn from the census returns and which should increase to compensate for some of the additional £80k place funding deduction).

It is recommended that at this stage we budget on receiving £58.2m. This represents an increase of £3.85m over the 2024/25 figure (£54,345,488 as shown in section 1 above).

2.2 As set out in section 1, the projected overspend for the current year is £2.6m. The increasing numbers and inflationary pressures we have seen in 2024/25 will continue to impact. Currently in Camden the child population is at best static and maintained school rolls are falling, there is a key question whether the growth in children/young people identified as high needs highlighted in paragraph 1.2 above (9.5% overall and 20% in Camden mainstream schools in the last year alone) will/can continue.

2.3 Assuming the £2.6m overspend from 2024/25 is repeated next year it would leave £1.25m for further growth. The current year overspend will include part year impact of growing numbers and hence we would start 2025/26 expecting the £2.6m to grow even if numbers of high need children/young people remain the same. Additionally, the increase in funding has to allow for the allocation to hospital schools, which has been increase by £267,000 and Camden is required to passport this onto the 2 schools.

2.4 Previous reports (most recently that to September 2024 Schools Forum) have included modelling of the impact of future growth on cumulative reserves and projected that reserves would be exhausted by financial year 2026/27. This modelling is based on loose assumptions on future growth in children/young people with high need inflation and Government funding. Forecasting remains challenging given the number of potentially changing variables. The funding settlement for 2025/26 and increase of £3.85m is more than expected and this should slow the decline in use of the cumulative reserves. However, the worst case spend projection in that model was for 7% year on year increase in spend but as pointed out in paragraph 1.2, the projected 2024/25 HNB spend is 12% higher than the 2023/24 outturn. Continuing the previous assumptions of:

- growth in spend is limited to 7% per annum, and.
- HNB funding grows at 3% (equivalent to an addition of only £1.75m for 26/27),

The HNB will still overspend in-year in 2025/26 by £2.7 and cumulative reserves will still be exhausted by 2026/27.

- 2.5 The SEND & Inclusion Phase 2 redesign will commence late February 2025 and consider support services to schools and review commissioning arrangements. In the interim the PLSS and Primary PRU satellite at Rhyl will continue to be funded.
- 2.6 Section 1 of this report has highlighted growing spend in a number of areas that have already been identified for review:
- Additionally Resourced Provision (ARP) admission criteria and funding.
 - Consideration of the growth in our use of independent and non-maintained special schools
 - Education Other Than At School (EOTAS) packages
 - Similar consideration of the range of alternative provision funded from the HNB.

It is recommended that these reviews will be overseen by the HNB Subgroup, before being reported to Schools Forum.

- 2.7 Additionally, it is recommended that the HNB Subgroup oversee a review of the devolved funding formula for Camden mainstream schools, exploring alternative options in consultation with mainstream schools. In the interim it is recommended that the balance between devolved and proportionality funding paid to Camden mainstream schools is adjusted.
- 2.8 As shown in table 4, when first introduced in 2020/21 a relatively small number of schools triggered a proportionality payment and the total allocated was £337,000. By spring term 2024, 41 out of 48 mainstream schools received funding and the projection for 2024/25 is over £2m and the proportionality, which was envisaged as a supplement to devolved, now exceeds the devolved pot. The updated figure on current high need pupil numbers is proportionality of £2.17m which combined with the £1.9m devolved sees total devolved of almost £4.1m.

Table 4: A breakdown of HNB spend on Camden mainstream (not including ARPs) 2021/12 – 2023/24 with projection for 2024/25

Camden mainstream	2020/21	2021/22	2022/23	2023/24	2024/25 projection
top-up (EHC & ENG)	6,106,180	6,032,125	6,660,974	9,190,920	11,709,721
sixth form place funding	180,000	236,001	276,000	318,000	318,000
devolved	1,366,412	1,356,455	1,904,581	1,902,109	1,899,609
proportionality	0	337,416	1,057,044	1,686,029	2,085,720
	7,652,592	7,961,996	9,898,599	13,097,058	16,013,050

- 2.9 The recommended solution in the interim is to increase the devolved pot. This would provide certainty for Camden mainstream schools by giving them a larger devolved figure upfront at the beginning of the year and would reduce the need for the termly proportionality payments. To remind the Forum, the model that has been in place for many years uses “proxy indicators”, namely prior attainment (60% weighting), free school meals (20%) and the number of

Camden residents in Camden schools (20%). The advantage of using proxy indicators is they are largely objective rather than using numbers of children identified with SEN which would create perverse incentives to identify more children. These proxy factors are applied to apportion a fixed devolved pot currently set at £1.8m. In addition, there is a minimum floor for schools that would get a low amount. This is currently £22,000 per annum. With 13 primary schools triggering such a minimum in 24/25 the amount actually devolved was almost £1.9m (see table 4 above).

- 2.10. Having modelled some different options, rather than increasing the amount going through the existing model the proposal is to add a 4th factor taking the methodology for the current proportionality payments. The proposal would calculate the full year effect of proportionality payments in the spring term and add 75% of this to the devolved amount as currently calculated. The £22,000 funding floor would still apply. An illustration of the impact of this is included as appendix to this report. This merely reworks the current figures as an example. The total of £4m remains unchanged but the balance between devolved and proportionality changes. Instead of £1.9m being paid upfront at beginning of the year this would increase to almost £3.5m but that the proportionality, paid termly in arrears reflecting latest roll data would reduce to under £600k. As stated this is just an example and as normal the formulas would be remodelled for 25/26 based on updated roll data. This proposal is for 2025/26 whilst a more thorough review of the funding to support mainstream inclusion.

3 Finance Comments of the Executive Director Corporate Services

- 3.1 This report is providing an update on the High Needs Block (HNB) projected year end position (£2.6m overspend) and for interim changes to the devolved funding pot to mainstream schools.
- 3.2 The report updates the earlier November projection of a HN DSG overspend from £2.1m to £2.6m due to the causes outlined in section 1 of the report.
- 3.3 The report now indicates that as the full year effect of the growth in cost activity transfers from 2024/25 into the next financial year 2025/26 that this is expected to result in a continued overspend position for that year.
- 3.4 Whilst this in year overspend can be adequately funded by the current HN DSG reserve of £10.1m, if unresolved going forward it is possible that this level of overspend will deplete the HN DSG reserves by the end of 2026/27.
- 3.5 The service in future reports will need to address the proposed mitigating actions by the service to bring in year HN DSG spend back to within the annual funded budget as soon as possible.

4 Legal Comments of the Borough Solicitor

- 4.1 High needs funding is provided to local authorities through the high needs block of the dedicated schools grant which enables it to meet its statutory duties under the Children and Families Act 2014 and the Education Act 1996.

5 Environmental Implications

5.1 There are none.

6 Appendices

Appendix: Illustrative impact of proposal to rebalance devolved and proportionality payments to Camden mainstream

REPORT ENDS