

Norfolk Schools Forum

Date: **Wednesday 26 March 2025**

Time: **9 am**

Venue: **Edwards Room, County Hall, Martineau Lane, Norwich NR1 2DH**

Supplementary Agenda

5.2. Strategy Part 2 – DSG Modelling

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Schools Forum

Item No: 5.2

Report title:	Strategy Part 2 – DSG Modelling
Date of meeting:	26 March 2025

Executive summary

This report provides an overview of the latest financial modelling for the High Needs Block in Norfolk. It includes the latest forecast for the 2024-25 financial year, the budget for 2025-26, and the latest medium-term modelling. The modelling considerations over the short-, medium- and longer-term are also explored, as well as consideration of the key risks, uncertainties and issues, such as the influence of sensitivity in demand for independent provision, challenges associated with the delivery timelines of capital projects, and financial risks for the local authority related to ‘bank rolling’ the DSG cumulative deficit.

Given the national scope of challenges in high needs funding, Norfolk is not alone in facing significant deficits. The Government has committed to national reform and further announcements are expected in spring 2025; these may initiate substantial reforms beneficial to children, families, and the broader system. However, even with these reforms, high needs costs will remain elevated for the foreseeable future, and the cumulative deficit is projected to grow.

It is imperative for all parts of the system in Norfolk to support as many children as possible to have their needs met within mainstream provision, reserving the specialist sector for those with the most significant needs. This is important to ensure that children have the opportunity to achieve the best outcomes that they can, whilst remaining with their peer group wherever possible, in turn promoting financial sustainability.

The report earlier on the agenda titled ‘Strategy Part 1 – LFI Impact and KPI’s’ addresses non-financial impacts and has been separated for easier consideration.

Schools Forum are asked to:

- **Consider the information provided, to offer comment and feedback, and to consider the leadership role that Schools Forum could play in increasing inclusivity in mainstream schools in Norfolk.**

1. Introduction

1.1. Purpose of the report

This report will address various aspects of high needs funding and planning within Norfolk, including the 2024-2025 outturn projection, the 2025-2026 budget, amendments made since the budget was set, and the modelling of the Dedicated Schools Grant (DSG) over the medium term along with consideration of the longer-term scenarios.

It will also consider the impact of various relevant risks, uncertainties and issues, such as the potential impact upon the modelling of sensitivity within demand for independent provision, challenges regarding delivery timeline for capital projects, and the financial risks and challenges for the LA authority as a result of 'bank rolling' the DSG.

The 'Strategy Part 1 – LFI Impact and KPI's' report earlier on this agenda covers the non-financial impacts. The reports have been separated for ease of consideration.

1.2. Context

The scale of challenge within High Needs funding is a national problem rather than a Norfolk one, with trends across the country showing similar scale of increases in deficits being seen in numerous areas, with some in an even worse position than Norfolk (for example, Hampshire is projecting a cumulative deficit of over £200m by the end of the current financial year).

The Government have committed to national reform and have recently sought evidence in advance of these announcements from a variety of sources. The LA has contributed to these calls for evidence along with submissions to the DfE and meeting with the Director General for Schools before Christmas (as reported elsewhere to Forum).

We await these announcements on that are expected during spring 2025. The announcements to date support the direction of travel of transformation set for Norfolk. We wait, along with the rest of the system, to see if the Government are bold enough to deliver truly transformational reform that will benefit children, families and the system as a whole. If the system is radically redesigned, this could lead to significant improvements in trajectories. Of course, the detail will be critical as to whether the reforms will support long term financial sustainability of high needs funding both in Norfolk and elsewhere in the county.

That said, we need to be realistic as a system that the costs of high needs provision will be at a very high level for some time to come even with national reform and the cumulative deficit will continue to substantially grow. Therefore, all parts of the system in Norfolk need to commit to 'doing its part' in terms of supporting as many children as possible to have their needs met within mainstream provision, with the specialist sector reserved for those with the very highest of need who would otherwise be unable to flourish.

We have started see signs of impact from the Local First Inclusion programme, e.g. lower monthly requests for new EHCP, but we are aware that they are it is early days. Further details are reported in the Strategy Part 1 paper earlier on this agenda. To see these 'green shoots' develop and take hold, it is vital that we retain the commitment from all parties to the LFI plan and neither lose focus nor hope of improving the system for children with SEND. In reality, if the plan starts to show impact on outcomes and finances in Norfolk, the Government will support our system to continue to deliver; we need to see a point where the spend stabilises and starts to reduce year-on-year, giving this confidence to local stakeholders and Government. If not, change may be imposed which may focus on cutting costs rather than improving outcomes, which could make things worse for children and families and the system as a whole.

1.3. Modelling Complexities

The modelling of the dedicated schools grant (DSG) over multiple years presents significant challenges due to the complex and evolving landscape of educational funding and needs both within Norfolk and nationally.

Previous reports to the Schools Forum and the LA's Cabinet and Scrutiny Committee have explored this complexity of the landscape, and these complexities present several critical factors that must be considered including, amongst other elements:

- the delays in the development of free special schools by central Government and the potential, resultant increase in demand for independent provision,
- the outcome of feasibility studies in the capital programme, coupled with planning requirements, complicating the anticipated timeline of delivery
- the ongoing opening or expansion of new independent schools, unless restricted by reforms, that will continue to alter the sufficiency landscape and impact upon financial planning.
- the impact of initiatives to increase and enhance inclusivity in mainstream schools across Norfolk, including the introduction of the SEND and Inclusion Support Model
- recent reductions in the number of Education, Health and Care Plans (EHCPs) requested, indicate a possible shifting dynamic that could affect future projections.

The ongoing investments in mainstream schools and additional services have shown some impact, yet there remains a significant pressure from tribunals placing children in specialist and independent provisions despite efforts to support mainstream inclusivity.

These variables underscore the challenge of achieving long-term sustainability of the DSG, particularly within the current legislative framework. In addition to all of these variables, Norfolk awaits the Government announcements on SEND reforms expected during spring 2025. The announcements to date support the direction of travel of transformation set for Norfolk, but the detail will be critical as to whether the reforms will support long term financial sustainability of high needs funding both in Norfolk and elsewhere in the county.

2. 2024-25 Outturn Projection

2.1. Overall DSG Forecast Position

The latest Dedicated Schools Grant (DSG) forecast outturn for 2024-25 was reported to Norfolk County Council's Cabinet as part of the Period 10 (end of January) Financial Monitoring report at its March meeting.

The forecast included the most recent updates and adjustments, including that the in-year deficit is predicted to be approximately £58.7m, which is an increase of about £19.2m from the budgeted deficit (£39.5m).

The cumulative DSG deficit at 31/03/2024 was £81.5m and the in-year deficit from 2024-25 will be added to this cumulative deficit, expected to be partially offset by contributions from Norfolk County Council (£5.5m) and from the Department for Education (DfE) (£10m), in line with the Safety Valve agreement. The projected cumulative deficit at 31/03/2025 is £124.7m.

At this stage, a revised plan has not yet been agreed with the DfE and a timeline for agreement of a revised plan has not been provided by the DfE. As a result, Norfolk continues to be part of the Enhanced Monitoring and Support process in relation to our Safety Valve agreement. The LA has submitted significant submissions and engaged with high level officials within the DfE; the meeting with the Director General for Schools before Christmas was productive and explored themes for reform and the LA offered for Norfolk to work in partnership with the DfE as they seek to develop and implement reform. However, at this stage, Norfolk is still awaiting clarity as to when the DfE will agree revised plan and, as a result, it is unclear whether the DfE will make their contribution in this financial year or whether this will follow in a future financial year once a revised plan has been agreed.

The table below summarises the overall position of the DSG reserve that the LA holds containing the cumulative DSG def

	£m	
Budgeted DSG reserve 31/03/2024	73.284	
Increase to actual 31/03/2024 position	8.229	
Actual DSG reserve 31/03/2024		81.513
Budgeted deficit 2024-25	39.543	
Forecast 2024-25 overspend	19.17	
Total forecast 2024-25 deficit		58.713
Less planned contributions		-15.5
Forecast closing DSG reserve 31/03/2025		124.73

2.2. High Needs Block Forecast

The table below provides a comparison of the current forecast to the budget set for 2024-25, which forecast an in-year deficit of £39.5m based upon the latest modelling at the time of setting.

High Needs Block Budget	2024-25 Budget	2024-25 P10	Variance
DSG allocation	-151.687	-151.894	-0.208
Total Funding	-151.687	-151.894	-0.208
Maintained / Academy / Free Special Schools	59.636	60.656	1.020
Specialist Resource Bases & Deaf Resource Bases	10.088	9.396	-0.692
Inclusion Funding (including mainstream SEN / EHCP Element 3 support)	34.093	35.649	1.556
Inclusion Funding 23/24 recoupments	0	-1.329	-1.329
Post-16 (Further Education)	10.835	10.831	-0.004
Independent Schools	44.332	55.759	11.427
Alternative Provision	10.007	9.976	-0.031
Alternative Education Service (Section 19)	3.225	9.095	5.870
EHCP Therapy & Other Support	3.516	4.907	1.391
Other Provision	1.112	2.037	0.925
Specialist services contracts	0.459	0.672	0.213
Contributions to partnerships / joint contracts with health	1.697	1.697	0.000
Sensory Support Service	2.189	2.189	0.000
Contribution to Inclusion and AP Support Teams and Services	2.315	1.746	-0.569
Contribution to School & Community Teams	3.610	3.610	0.000
Contributions to EPSS Service	1.089	1.089	0.000
Contributions to other HN SEND service staffing and provision	1.250	1.250	0.000
TPG / TPECG High Needs funding	1.777	1.883	0.106
Total Expenditure	191.230	211.112	19.882
Total	39.543	59.217	19.674

2.3. Placement Numbers

The table below shows the anticipated placements numbers as per the modelling at the time that the budget was set for 2024-25 versus the forecast placement numbers for year-end as at the period 10 (end of January) forecast.

It is important to note that for some provisions, such as for those not on a school roll and SRBs with a 'turn-around' model, the placement numbers are a snapshot at a point in time expected to be in receipt of provision on average during the year, rather than the total number of children supported through such services.

Placements Numbers by type:	2024-25 Budget	2024-25 P10 Forecast	P10 to Budget Variation
Maintained / Academy / Free Special Schools	2,147	2,282	135
Independent Special Schools	964	1,033	69
EHCP Therapy, Unregulated AP & Other Support	230	258	28
Other Provision	326	404	78
Alternative Education Service (Section 19)	363	537	174
Alternative Provision	522	562	40
Post-16 (Further Education)	986	959	-27
Specialist Resource Bases & Deaf Resource Bases	524	457	-67
Other Local Authority Recoupment	95	109	14
Total Placement Numbers	6,157	6,601	444

2.4. Key Variances

The key variances are due to:

- **Specialist Placements:** The significant demand for special school places, including independent special school places. This is despite recent investment in other specialist provision, such as Specialist Resource Bases, and means that there is an increase in the school age population educated outside of mainstream settings. Many placements are as a result of tribunal activity, which has resulted in additional, unbudgeted placements, particularly into the independent sector.
- **Specialist Resource Bases:** The lower numbers in Specialist Resource Base (SRB) placements can be attributed to the fact that the budgeted figures were calculated based on the total capacity, including those SRBs that are in the process of being established but are not yet operational. Additionally, an operational decision was taken to pause admissions to one SRB with payments similarly paused.

- Inclusion Funding (Element 3): The current projections related to 24-25 financial year related spend actually exceed the £35m due to the demand for the Unexpected Situations Support Fund. It should be noted that, at this stage due to a late surge in requests, not all have been considered and so this forecast is subject to change. The 24-25 spend has been partially mitigated by recoups from the 23-24 financial year where reviews of data showed that funds were not required, for example, schools had previously not informed the LA of a child leaving in a timely manner.
- Children Not on Roll, in particular those supported via the Alternative Education Service but also via other provisions and support: 24-25 has seen increased spending to support children and young people not enrolled in any school; this rose significantly in the latter part of the 23-24 academic year which continued into the 24-25 academic year. Significant action has been taken by the LA to seek to mitigate demand and to support children to be enrolled in a school as soon as possible where this is appropriate. It is anticipated that, in future years, spend in this area should stabilise and begin to decline if inclusion in mainstream schools increases, particularly if the model of AP centres hosted by secondary schools is successful.

2.5. Mainstream high needs SEND provision

The funding into mainstream schools to support high SEND (Special Educational Needs and Disabilities) students increased substantially prior to 2024-25 and remains at this higher level. The significant work undertaken during 2024-25 has identified a new model from the 2025-26 academic year, informed by significant work with school leaders including those from Schools Forum. The funding available in 2024-25 was revised to £35m earlier this year by the LA in conjunction with interim measures put in place for this financial year. Despite these investments, Norfolk still has a high number of pupils not educated in mainstream schools, which is the core driver of the deficit in Norfolk.

It should be noted that the placement numbers provided within the 2024-25 forecast section of this report (above) do not include the number of pupils being supported in mainstream schools with high SEND either via Element 2 (Notional SEN) funding or a combination of Element 2 and Element 3 'top-up' funding.

Historically, the system has not had a clear picture of this overall need within Norfolk within mainstream schools though, over a number of years, schools across the county have continued to report that they are seeing increasing levels of need, particularly in pupils entering full time schooling in reception, as well as increasing challenges in relation to pupil behaviour.

The recent baseline work undertaken across Norfolk for the revised Element 3 model from the 2025-26 financial year will be the first time that the system has a clear picture of the identified need in mainstream schools and the overall number of pupils with high SEND need being supported. This is, effectively, a Needs Analysis for Norfolk within mainstream provision and will enable the LA, and the system as a whole, to have a much better understanding of the level and pattern of need, variations across the county as well as the different models of support being implemented by mainstream schools to meet that need.

The submissions from mainstream schools across Norfolk received by February half terms included 21,399 INDES (expand) for children and young people, with IPSEFs (expand) received from all schools and Graduated Provision Maps (GPMs) received from 384 schools. The LA are following up with those schools who have not provided a full submission. The INDES data aligns closely with the latest published data by the Government for Norfolk from 2023-24 of over 20,500 pupils in mainstream schools who either have an EHCP or are receiving SEN support.

This provides an opportunity to review plans to support mainstream inclusion and to share good practice and learning across the county, as well as provide the system in Norfolk with a good understanding ahead of the anticipated Government reforms. This will be critical to ensure that investment in the mainstream sector is able to result in reducing the trend in Norfolk of pupils not being educated in mainstream schools, ensuring consistent inclusion across Norfolk and, in turn, enabling the DSG in-year deficits to reduce and move towards an in-year balanced position.

The LA would like to express our appreciation to all schools for their efforts in providing us with accurate and up-to-date information. This contribution is invaluable as we transition to the new approach for Element 3. It will help the LA to ensure that all schools receive their appropriate allocation of funding, and the data provided by schools is crucial to our broader understanding of children and young people with SEND in Norfolk.

3. 2025-26 Budget

3.1. Financial Projections

The 2025-26 budget was prepared for Norfolk County Council's Cabinet meeting in January 2025. The table below provides a break-down of the 2025-26 budget set compared to the 2024-25 budget. These projections indicate a £70m deficit budget for 2025-26, as was reported to 31 January 2025 Schools Forum meeting (item 7), with a cumulative DSG reserve deficit of c. £186m projected as at 31 March 2026.

High Needs Block Budget	2024-25 Budget	2025-26 Budget
DSG allocation	-142.2	-153.5
Schools Block to High Needs Block Transfer	-9.5	-9.7
Total Funding	-151.7	-163.2
Maintained / Academy / Free Special Schools	59.6	63.7
Specialist Resource Bases & Deaf Resource Bases	10.1	13.1
Inclusion Funding (including mainstream SEN / EHCP Element 3 support)	34.1	35.0
Post-16 (Further Education)	10.8	13.6
Independent Schools	44.3	61.1
Alternative Provision	10.0	13.6
Alternative Education Service (Section 19)	3.2	10.0
EHCP Therapy & Other Support	3.5	5.1
Other Provision	1.1	2.2
Specialist services contracts	0.5	0.6
Contributions to partnerships / joint contracts with health	1.7	1.9
Sensory Support Service	2.2	2.4
Contribution to Inclusion and AP Support Teams and Services	2.3	2.6
Contribution to School & Community Teams	3.6	3.7
Contributions to EPSS Service	1.1	1.1
Contributions to other HN SEND service staffing and provision	1.2	1.5
TPG / TPECG High Needs funding	1.8	2.0
Total Expenditure	191.2	233.2
Total	39.5	70.0

It should be noted that the modelling upon which the budget was set was based upon the latest information available at the time regarding trends and patterns; the Period 10 forecast shown in the section 2 utilises more up-to-date information.

A deficit budget for 2025-26 is necessary to account for the revenue invest-to-save activities planned over several years that aim to achieve a balanced in-year position (through the Local First Inclusion programme). These are combined with the current demand for high needs specialist placements and provision, especially independent provision, which exceed the available funds.

3.2. Placement Numbers

The table below shows the anticipated placements numbers as per the modelling at the time that the budget was set for 2024-25 versus the forecast placement numbers for year-end as at the period 10 (end of January) forecast.

Placements Numbers by type:	2024-25 Budget	2025-26 Budget	2025-26 to 2024-25 Variance
Maintained / Academy / Free Special Schools	2,147	2,380	233
Independent Special Schools	964	1,197	233
EHCP Therapy, Unregulated AP & Other Support	230	225	-5
Other Provision	326	486	160
Alternative Education Service (Section 19)	363	656	293
Alternative Provision	522	567	45
Post-16 (Further Education)	986	1266	280
Specialist Resource Bases & Deaf Resource Bases	524	681	157
Other Local Authority Recoupment	95	125	30
Total Placement Numbers	6,157	7,583	1,426

3.3. Key Variances to 2024-25 Budget

The key variances are driven by the changing patterns and trends that have been seen during the 2024-25 financial year alongside improved understanding of several areas of demand. Additionally, the budget was prepared based on a more 'reasonable case' scenario rather than 'best case' scenario approach previously taken. These variances are similar to the variances between the 2024-25 forecast and the 2024-25 budget.

- Specialist Placements: Both of these saw increases in 2024-25 beyond the budgeted expectations. There was a significant increase in the number of independent placements between when the 2024-25 budget was set and the 2023-24 financial year, which had a 'knock-on' impact into 2024-25. The increase in the special school places beyond that budgeted was due to tribunals and the impact that they have had on place numbers. For 2025-26, the special school budget and places assumptions took account of anticipated, planned growth, whilst projections of independent placement growth in 2024-25 (at the time of modelling) were projected forward for 2025-26 on the basis that current demand for specialist places has not yet seen any reduction in demand.

- Specialist Resource Bases: Places and additional investment have been increased according to LFI development, and costs have risen following the alignment of older bases' funding model with that of new bases to ensure equality.
- Alternative Provision: Places and additional investment have been increased according to LFI development, alongside taking account of trends in usage of AP provision outside of mainstream schools.
- Post 16 (Further Education): The number of students supported has continued to rise above the population increase and in excess of the additional proportional increase that had been modelled for 2024-25. At the time the budget was set, not all the data for the 2024-25 financial year had been received from colleges, including those who were no longer attending and / or requiring support and so a prudent projection was made for the 2025-26 budget.
- Children Not on Roll, in particular those supported via the Alternative Education Service but also via other provisions and support: The 2024-25 budgeted placements were set at a point in time prior to the full scale of the increase in demand in 2023-24 was known and, therefore, the 2023-24 outturn was higher than the 2024-25 budget had been set. During the summer term, there was a further increase in demand. This high demand has persisted due to both the number of children transitioning from mainstream education and the limited capacity within Alternative Provision (AP). Changes in recent years has resulted in children remaining in AP for longer periods, leading to a decreased turnover of students.

4. Updated DSG Plan modelling

4.1. Modelling Circumstances

As previously reported, the LA has worked closely with DfE advisors during 2024 to develop a revised plan that sought to balance the DSG to in-year, ahead of seeking to contribute to repayment of the cumulative deficit. This culmination of this work proposed a partnership with the DfE to seek reform that would enable resources to be directed more effectively to seek to reduce the number of children leaving the mainstream sector.

Since that work was completed, the high needs block has seen additional pressures in 2024-25 and the plan has been updated in the near-term to take account of these. Despite these challenges, Norfolk County Council still remains committed to the long-term strategy to enhance inclusivity and meet the needs of students within mainstream settings, which should, in the long-term, work towards delivering a balanced in-year budget.

Producing a long-term plan is inherently challenging when the variables are so numerous, the variables interact with each other in unpredictable ways, and the control of those variables is spread across a very wide number of parties. Norfolk County Council meets with other LAs who also have Safety Valve agreements and share experiences and learning, but all attending report difficulties with their Safety Valve agreements, even remain outside of the Enhanced Monitoring and Support part of the programme, and their spend not aligning with their projections. Many LAs, both within the Safety Valve programme and the Delivering Better Value programme, seem to have found it very challenging to reliably project in the short-term, let alone the longer-term.

Added to these range of complex variables is Added to this is the regarding future reform, whether this will include legislative change, alongside ongoing societal changes.

For many Safety Valve LAs, uncertainty also remains regarding critical infrastructure to increase state-funded specialist place infrastructure agreed through the previous Government's Free Special Schools programme. Despite the agreed programme, delays started following the discovery of RAAC when resources were diverted within the DfE and have, subsequently, continued as the new Government reviews all special free schools alongside other DfE capital projects. At this stage, we have modelled on the basis of a delay by a year to the special schools, but it is not known whether or not this will be deliverable depending upon if and when agreement is given by the DfE to go ahead.

4.2. Medium- vs longer-term modelling

The impact of any reforms will inevitably take time to manifest and, in the meantime, the local system in Norfolk needs to seek to stabilise and foster positive changes in demand patterns within the existing legislative framework and guidance. This includes cultural shifts that the local system can implement independently.

The current modelling approach focuses on stabilising the situation and supporting green shoots of change within the parameters of existing legislation and guidance. By fostering a local environment conducive to these changes, the LA and the wider system could mitigate the immediate pressures and build a foundation for more substantial reforms once they are fully understood and enacted.

Given the inherent complexities and the multiple interacting variables, the LA acknowledges that producing reliable long-term projections is challenging. This is compounded by the uncertainty surrounding future reforms, including potential legislative changes and ongoing societal variations. Therefore, due to the considerable uncertainty surrounding the long-term outlook, this report provides a medium-term forecast (2025-26 to 2027-28) that adheres to these established principles.

When the reforms are clearly defined, and there is more clarity regarding the Government's plans for school and SEND funding, the LA will undertake a thorough review of the Local First Inclusion programme and reconstruct the longer-term modelling of the High Needs Block. This will ensure that the transformation programme is aligned with the landscape of the reforms.

4.3. Amendments to 2025-26 modelling since budget set

It is essential to acknowledge that DSG modelling is inherently a form of simulation. Given the multitude of individual variables and underlying assumptions, the model will be subject to revisions whenever these factors are re-evaluated.

The most recent remodelling work has taken place since the 2025-26 budget was set and so has benefited from the information in relation to the updated projections for the 2024-25 financial year (period 10, end of January, as included in section 2 above).

This has resulted in a couple of key differences between the 2025-26 budget set and the latest 2025-26 modelling:

- **Specialist Placements:** The opportunity was taken to review assumptions which has included projecting for special schools to consider ongoing trend of placements through tribunals. Since the budget was set, the expected net growth in independent placements in 2024-25 has reduced (as the picture is clearer in relation to actual placements to be made as we near year-end) and this lower level of overall net increase in independent placements in 2024-25 has been reflected in updated assumptions, along with a review of the latest average cost data available.
- **Specialist Resource Bases:** The lower numbers in Specialist Resource Base (SRB) placements can be attributed to the fact that the budgeted figures were calculated based on the total capacity, including those SRBs that are in the process of being established but are not yet operational. Additionally, an operational decision was taken to pause admissions to one SRB with payments similarly paused.
- **Post 16 (Further Education):** The full year data was not known at the time that the 2025-26 budget was set, including the number of students no longer requiring support who had been previously supported. The full dataset was available for revision to the modelling and the net growth in 2024-25 was lower than anticipated, resulting in a reduction to the projected net growth for 2025-26 (including the cumulative effect from 2024-25). Although the population growth is stabilising and beginning to reduce in primary age groups, post 16 is still due to see the peak of the population bulge that has been working through secondary schools.

- Children Not on Roll, in particular those supported via the Alternative Education Service but also via other provisions and support: The opportunity was taken to review assumptions included in the budgeting work and it was identified that a double count of an anticipated impact, which has now been removed.
- Contingency: the reviews undertaken since the budget was set have resulted in a small contingency factor within the overall deficit budget set by the LA.

4.4. Key modelling assumptions

As previously discussed, there are multiple assumptions built into the modelling. The key assumptions include:

- State-funded special school placements: The future modelling considers the current estimates regarding the opening date for the two new Special Free Schools based upon the go-ahead being received in short-order for 'self-delivery' by Norfolk County Council (the option that had been under discussion with the DfE prior to the current review of the overall programme that they are undertaking). Any further significant delay will result in amendments needing to be made. Similarly, any other changes to capacity have been modelled on the basis of expected delivery date.
- Independent special school placements: Given the delays in the schedule for the new special schools, the ongoing expansion of the independent sector (which is outside of the control of the LA), and a realistic expectation that it will take 2 years for any reforms to begin to impact, the underlying assumption built into the medium-term modelling has been to seek to utilise local constraint to reduce the overall net growth in overall specialist places through the impact of investment elsewhere in the system and cultural change that could be delivered at a local level by the system as a whole. The reduction in growth built in is prudent and still results in an increasing number of children leaving the mainstream sector during the medium term, despite the mainstream school-age population overall beginning to gradually reduce (reductions more significant in primary, slightly countered by secondary increases as school years work through). The slight reduction in the number of independent places in the final year of the medium-term modelling coincides with the anticipated significant expansion of special school places (which is in addition to the significant increase in SRB places). This is a key variable explored further through some sensitivity analysis below.

- Specialist bases within mainstream schools (SRBs and AP bases): These projections are based on the current development schedule, considering the timeline for capital works and initial periods where staffing costs are incurred prior to base opening. The timing of capital works can be influenced by various factors, so estimates are made based on previous experiences. However, each project is unique and will follow its own path through feasibility, planning, and construction, which may result in variations.
- Schools Block to High Needs Block transfer: As per previous reports, it is the intention of the LA to see to move away from a SB to HNB transfer in future years, though this is subject to agreement by the DfE given that it was a key part of the Safety Valve agreement for Norfolk. For the purposes of this medium-term modelling, it is presumed that the block transfer is removed from 2026-27 in line with this intention.
- Inclusion Funding (including mainstream SEN / EHCP Element 3 support): This is projected to remain at the current level of investment, adjusted for the modelled removal of the block transfer, plus inflation.¹
- Alternative Provision: The modelling presumes an increase in places, including the AP bases (tier 2 provision), before seeing an initial reduction in leaving a mainstream school roll.
- Children not on a school roll: Modelling in the medium term presumes that changes that are currently being implemented operationally will enable the number of children not on a school roll at any one point in time to be reduced through both a combination of overall lower numbers and reducing the average length of time that children are accessing this provision.

4.5. Medium-term modelling

The first table below shows the medium-term financial modelling, compared to the 2024-25 Period 10 (end of January) projections, whilst the second table shows the associated projections of placement numbers (excluding those supported in mainstream school with high SEND via Element 3 funding).

¹ It should be noted that one area for resolution will be the impact upon academies of removing the block transfer. This is because any impact upon their budgets of the removal of the block transfer will be delayed until the start of the academic year (due to differing financial years), whilst the HNB would not have the funding resulting from the block transfer that is currently enabling the current level of Element 3 funding distribution. Support to resolve this issue will be required from the DfE to avoid any unintended consequences.

High Needs Block Modelling	2024/25			
	P10	2025/26	2026/27	2027/28
High Needs Block DSG Income	-142.4	-153.5	-158.4	-163.9
1.5% Schools Block transfer	-9.5	-9.7	0.0	0.0
Total income	-151.9	-163.2	-158.4	-163.9
Maintained / Academy / Free Special Schools	60.7	64.5	69.4	76.3
Specialist Resource Bases & Deaf Resource Bases	9.4	13.1	16.6	18.9
Inclusion Funding (including mainstream SEN / EHCP Element 3 support)	34.3	35.0	26.1	26.8
Post-16 (Further Education)	10.8	11.9	12.7	13.4
Independent Schools	55.8	60.0	65.4	63.4
Alternative Provision	10.0	13.6	13.8	11.4
Alternative Education Service (Section 19)	9.1	10.8	6.2	5.4
EHCP Therapy & Other Support	4.9	5.1	5.3	5.0
Other Provision	2.0	2.2	1.8	1.5
Specialist services contracts	0.7	0.6	0.6	0.6
Contributions to partnerships / joint contracts with health	1.7	1.9	2.0	2.0
Sensory Support Service	2.2	2.4	2.4	2.5
Contribution to Inclusion and AP Support Teams and Services	1.7	2.6	2.9	2.9
Contribution to School & Community Teams	3.6	3.7	3.8	3.9
Contributions to EPSS Service	1.1	1.1	1.1	1.2
Contributions to other HN SEND service staffing and provision	1.2	1.5	1.8	1.9
TPG / TPECG High Needs funding	1.9	2.0	2.0	2.1
Contingency	0.0	1.1	0.0	0.0
Total Expenditure	211.1	233.2	233.8	239.2
In-year +deficit/-surplus	59.2	70.0	75.4	75.3

Placements Numbers by type:	2024/25			
	P10	2025/26	2026/27	2027/28
Maintained / Academy / Free Special Schools	2,332	2,403	2,534	2,807
Independent Special Schools	1,033	1,133	1,133	983
EHCP Therapy & Other Support	258	225	250	230
Other Provision	404	486	342	239
Alternative Education Service (Section 19)	537	656	518	402
Alternative Provision	562	567	506	442
Post-16 (Further Education)	959	1047	1114	1147
Specialist Resource Bases & Deaf Resource Bases	528	603	721	841
Other Local Authority Recoupment	109	125	125	125
Total Placement Numbers	6,722	7,245	7,244	7,216

4.6. Sensitivity Analysis

As previously described, the modelling is complex and based upon a multitude of assumptions and variables. Small changes in one variable could have significant implications both for the financial year of the change and for future financial years.

Whilst numbers of pupils supported through the HNB who are not on a school roll are expected to increase significantly (at least initially, before reducing) along with the number of post-16 pupils (further education), the cost of support per pupil is, relatively, low compared to other provision. Therefore, significant movements in pupil numbers, or changes to these assumptions, will, clearly, have an impact upon the financial modelling, but it will be on a relatively small scale overall. This is not, of course, to suggest complacency or lack of scrutiny in these areas of spend, more an indication of the sensitivity of the modelling.

The key assumption from a sensitivity point of view is the number of children in independent special school placements, and the average costs of such placements. This makes these key variables both in terms of modelling but also, more importantly, in terms of delivering a stabilisation of the High Needs Block expenditure and, ultimately, a reduction.

For example, a reduction in the growth projection in 2025-26 by 10 places (i.e. net growth of 90 rather than 100) would see an in-year reduction in spend of over £0.5m (presuming average cost), and a cumulative impact over the 3 years of the medium-term plan of over £1.6m.

If the number of independent places was reduced from the projections by 10 in each year on a cumulative basis compared to the current model (i.e. reduction of 10 in 2025/26, 20 in 2026/27 and 30 in 2027/28) then there would be an in-year benefit of £1.7m in 2027/28, and a cumulative benefit over the 3-year period of over £3.3m.

If independent school placement numbers were maintained in 2025/26 in line with the projected 2024/25 outturn, then the 2025/26 in-year deficit would be reduced to c.£65m.

The demand led nature of the market currently (not just from Norfolk children), combined with inflationary factors, means that it is difficult to exert significant control over placement costs. Contract management arrangements are in place, including a process for considering fee increase requests that has resulted in limiting the scale of increases in recent years. Whilst modelling assumptions have been made, the LA will take appropriate steps to limit increases in independent fees to those that are only necessary. The cost of fee levels increasing on average by 1% more than currently modelled (with the same placement numbers) would be c. £0.6m in 2025-26, with cumulative impacts for future years.

Conversely, the opposite effect to those shown above, for both average cost inflationary increases and placements numbers, is also true.

4.7. Future considerations

As referred to throughout the report, understanding the potential impact of the awaited Government reforms will be key both in terms of assessing them against our Local First Inclusion programme plans as well as considering in the impact upon various trajectories within the financial modelling. It will, of course, take time for any reform to embed and the speed of change will be dependent upon the nature of the reform introduced and the approach that Government chooses to take.

Norfolk's sufficiency strategy will need to be reviewed and updated once the outcome of the Government's review of the Special Free School programme is known, taking into account any impact including any resultant delays to provision.

As alluded to earlier in the report, there are significant changes in school age population in Norfolk that are beginning to impact in primary schools and is expected to continue to dip before reception in-take possibly beginning to increase again in 2030/31 or beyond (children not yet born). However, secondary schools are continuing to see the bulge of pupils progress through, with overall numbers only expected to begin to reduce in 2029/30. This is an area for further consideration for future modelling both in terms of population changes (in numbers and location), as well as further opportunities that this may offer within the school estate (in particular, primary).

5. Impact to the LA

During discussion at January's Schools Forum meeting, the LA was asked about the risk to the LA of the current DSG situation. To support understanding of the system, the impact to the LA currently is shared here.

The Government has prescribed an accounting treatment for the DSG deficit within the Local Government Finance Policy Statement published in December 2022. However, this position is not guaranteed and will remain a subject of scrutiny from External Auditors or a change in approach from the Government. If the Council is not able to reduce the DSG cumulative deficit through a combination of LFI, capital investment, high needs allocations and the Safety Valve programme with the DfE, then there does remain a risk to the overall financial viability of the whole Council. This risk could also crystallise if there is not significant funding reforms announced or mitigations in relation to cumulative deficits carried within the coming months. This is the situation for LAs across the country and, in reality, is the most significant financial issue that will be facing those authorities.

In addition to this all-encompassing potential impact to the LA, there are three other impacts more clearly definable:

- Direct revenue contribution to the DSG deficit: this was agreed at £5.5m pa for the length of the original SV agreement.
- Investment in additional resources to support the SEND system in Norfolk.
- Cash impact of 'bank-rolling' the cumulative DSG deficit: the overall deficit position is now significantly impacting through reduced cash balances that are resulting in lower income from investments and bringing forward the need to borrow, crystallising financing costs at a time when interest rates are rising that would not have been otherwise required, adding to the cost of financing the debt over time.

These costs are having to be funded from the Council's core (general fund) budget, at a cost to local taxpayers and at the expense of other services that the Council's core budget should be funding. This is despite the principle that schools budget overall should be entirely funded through the ring fenced DSG (and other Government grants).

As well as the direct costs, there is the indirect impact of increasing numbers of pupils educated outside of mainstream provision, due to the demand for Home to School transport, which has seen very significant increases in costs in recent years.

6. Risks

The primary risks associated with the Dedicated Schools Grant (DSG) funding and the budget for 2025-26 include:

- The anticipated SEND reform and subsequent announcements regarding the statutory override do not provide the support required to deliver the system change to achieve a sustainable financial footing for the High Needs Block, posing a significant risk to the LA's finances.
- The risk that a revised Safety Valve agreement with the DfE is not reached, leading contributions agreed within the Safety Valve programme not restarting, which would increase the cumulative DSG deficit for the Council to manage.
- The scale of the DSG deficit cumulative balance results in a significant financial impact on the LA's overall finances, particularly in terms of the LA's cash balances. This is a national issue that requires a national solution to avoid detrimental impacts on local authorities' financial sustainability.
- Pressures continue to increase within the High Needs Block that exceed forecast expectations, resulting in increased levels of cumulative deficit of the DSG, thus significantly impacting the Council's management of cash balances.

- Delays in the building of two new special schools agreed by the Department for Education (DfE) could adversely affect the transformation programme and exacerbate demand for independent specialist provision. The continuing delay risks future state-funded sufficiency, leading to increasing demand for independent provision with associated increased cost to HNB and increased Home to School Transport costs for the LA.
- Implementation of projects within the Local First Inclusion transformation are delayed resulting in planned support not being in place to enable pupils to remain in mainstream settings or new specialist places are not available, which could result in under- delivery of savings or escalating demand, and thus cost pressures, in 2025-26.
- The recent 'green shoots' of change in the system seen (i.e. a reduction in month-on-month requests for EHCPs) is either un-sustained or do not result in similar changes in trajectories in other parts of the system (such as referrals for special school places).
- Despite substantial investment in supporting children to remain in mainstream or SRB-type provision, tribunals continue to place children in specialist provision, particularly independent placements.
- Outcomes of feasibility studies, along with planning requirements, result in increased timeline and/or cost of delivery of the capital programme.
- Independent providers continue to open new provision or expand existing provision beyond budgeted amounts, creating heightened financial pressures, and the awaited reforms do not restrict costs of placements and / or opening (or expansion) of provision.
- The impact of both the national living wage increase and the Employers National Insurance increase exceeding estimated inflationary impacts included within budget assumptions, particularly for providers' fee expectations.
- Inflation continues to drive up the cost of independent and specialist placements, exceeding budgeted assumptions within the plan.
- Schools continue to face increasing costs outside of their direct control, affecting their ability to deliver consistent education and meet the basic needs of pupils, including those with high needs.
- The legacy from the pandemic upon pupils places schools and early years providers under increased financial strain.

Additionally, it should be remembered that the Local First Inclusion Programme is a complex transformation programme of work developed to deliver system change. This means that many aspects are outside of the control of the Local Authority, though this risk is sought to be mitigated through strong governance arrangements in place and a full risk register that is proactively overseen by dedicated programme management.

Additionally, there is an inherent risk with introducing a new methodology for the distribution of Element 3 funding both in terms of the LA and schools ability to implement the approach, as well as in relation to the demand for funding. However, the focus of the arrangements is upon a shared understanding of the SEND provision offered within mainstream schools between the school and the LA, which should provide a greater level of assurance that funds allocated are required and will be used appropriately, thus reducing the request of unexpected significant increase in demand that could be driven by a system focussed upon assessing need.

As Schools Forum would expect, LA Officers will continue to closely monitor and manage these risks throughout the financial year, with regular reporting to relevant bodies.

7. Background Documents

Proposed DSG Budget for 2025-26 paper for [Schools Forum](#), 31 January 2025, Item 7 (page 24)

Dedicated Schools Grant (DSG) Funding paper for [Norfolk County Council's Cabinet meeting](#), 27 January 2025, Item 9 (page 84)

8. Schools Forum are asked to:

- **Consider the information provided, to offer comment and feedback, and to consider the leadership role that Schools Forum could play in increasing inclusivity in mainstream schools in Norfolk.**

Officer Contact

If you have any questions about matters contained in this paper, please get in touch with:

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