



Schools Forum

Report title: Pressure on Inclusion Fund

Date: 19th October 2023

Key decision: Yes

Item number: 10

Outline and recommendations

The purpose of this report is to make schools forum aware of the current pressure on the Early Years SEN Inclusion Fund and to highlight some of the considerations for review.

The report notes the increased pressure on the Early Years inclusion fund as a consequence of the reasons stated in this report.

Schools Forum will further note:

- A 2023/24 Early Years Block was finalised in August, however the provisional budget set was predicated on the draft settlement in December. Based on rising demand, there is now a projected deficit of £200k.
- B The report sets out future mitigations, however, the funding gap of £200k needs to be resolved.
- C Schools Forum further notes the change in practice of the inclusion fund to reflect the rising demand within the financial constraints.
- D Schools forum also notes that a post implementation review would be appropriate of the proposed changes, recognising any local offer must remain within the financial consideration.

Timeline of engagement and decision-making

Since April 2017, when holding a SEN inclusion fund (SENIF) became a statutory duty for local authorities, inclusion funding has seen a steady increase in applications each term.

There has been a significant increase post pandemic. In autumn 2019, **195** applications were submitted. In autumn 2022, **339** applications were made. This represents a **74%** increase.

This has created additional pressure on the fund which is now facing an overspend. There is also a need to review the process to avoid this happening in the future.

Purpose of Inclusion Funding.

- 1.1. All local authorities are required to hold an inclusion fund in their local funding systems for 3 and 4year olds with SEND, taking the free entitlement. The purpose of the fund is to support local authorities to work with providers to address the needs of individual children with SEN. SENIF is meant to cater for 'emerging needs' and should assist with preventing escalation of needs, e.g. *preventing a young child from requiring statutory support*
- 1.2. LA's across the country have varying models of delivery of the inclusion fund. Some are part EY funding block and part high needs block, some have much higher levels of funding and some are significantly less. Some pay an hourly rate for a certain number of hours.
- 1.3. We have chosen not to pay as an hourly rate to deter from the first use of the funding being to simply employ additional adults. Our application criteria is on a similar premise to most London LAs.

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2. Funding

2.1 The inclusion fund is funded by retaining 2.69% from 3& 4 yr. old hourly rate and 7.58% from two-year-old hourly rate.

2.2 The annual allocation of the Early Years Funding block is determined by the January EY census and figures for the last 2 years are shown below.

Early Years funding	2023-24				2022-23			
	3&4 yo	2 yo	Other	Total	3&4 yo	2 yo	Other	Total
Inclusion Fund	575,728	211,312	0	787,040	565,244	193,549	0	758,793
Contingency	372,530	63,023	0	435,553	386,838	59,554	1	446,393
2 Year Old Entitlement	0	2,513,497	0	2,513,497	0	2,303,980	0	2,303,980
3 & 4 Year Old Entitlement - Quality factor	372,530	0	0	372,530	0	0	0	0
3 & 4 Year Old Entitlement	18,287,846	0	0	18,287,846	18,186,724	0	0	18,186,724
Early Years Quality and Sufficiency Team	1,049,858	0	0	1,049,858	1,047,468	0	0	1,047,468
Disability Access Fund	0	0	124,200	124,200	0	0	105,600	105,600
Early Years Pupil Premium	0	0	91,581	91,581	0	0	99,180	99,180
3 & 4 Year Old Supplement	0	0	403,469	403,469	0	0	407,984	407,984
Deprivation	778,927	0	0	778,927	763,079	0	0	763,079
	21,437,419	2,787,832	619,250	24,844,501	20,949,353	2,557,083	612,765	24,119,201

2.3 However within this context, and for the longer term we should also consider the extension of the EE Starting in April 24 which will increase numbers as more children will be eligible, initially under 2 yr old entitlement for working parents, and then from 9 months in Sept 24.

3. Who Funding is intended for

3.1 The SEN inclusion fund is for 3- and 4-year-olds who are taking up free entitlement and have emerging SEN.

3.2 Inclusion funding is sometimes provided for a child who is in the term before their 3rd birthday.

3.3 Inclusion funding is granted where existing provision /resources have been optimised and other non-financial support including specialist advice has been sought and implemented. Where despite taking relevant and purposeful action to identify, assess and meet need the expected progress has not been made, SENIF might be considered for the period a child remains in nursery provision. Which could be for up to 6 terms, if it has been provided for a child as a rising 3 yr old (*i.e. still 2 yrs old*) and that child has significant and identified needs.

3.4 More generally it would be provided for up to 5 terms for a child for whom an application is made in the term following their 3rd birthday until they then move to reception.

3.5 We would usually expect and advise a setting that has made 3 terms of applications for a child to be requesting EHCNA – this would be evidence that despite setting utilising all resources available, the child had not made sufficient progress.

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4. Current Context

- 4.1 The SEN Inclusion fund is expected to overspend for the year 2023-24 by £200,000. against the provisional budget of £787,040. if we continue our existing pathway using the current process and application criteria which has been in line with other boroughs.
- 4.2 It is worth noting however they have all since reviewed and removed any age and developmental levels criteria, and now use a variety of evidence based models. This is what we are proposing in order that we remain in line with other authorities across London.
- 4.3 For the interim period until the end of this financial year, a decision needs to be made to mitigate for the risk of significant predicted overspend due to high demand under the current criteria.

5. SENIF and the High Needs Block.

- 5.1 LBL's aim is to use SENIF to target children with lower level or emerging SEN. However we have seen a significant increase in the number of children presenting with significant additional needs.
- 5.2 Children with very highest level of complex needs or disability and those granted an Education, Health and Care Plan (EHCP) continue to be eligible to receive funding via the high needs block of the DSG
- 5.3 Typically, **55%** of applications are made by maintained nursery classes (MNC) and nursery schools (MNS), **45%** by PVI providers
 - **57%** of MNC and MNS apply for inclusion funding
 - **27%** of PVIs apply for inclusion funding

6. Why has demand increased?

- 6.1 Impact of pandemic. More children meet the current assessment criteria of a delay of 12 months +
- 6.2 School budgets reducing – less staff to support with additional needs in a responsive approach. Nursery schools and nursery classes have reduced staffing so seek other sources of funding to secure SEN support in early years, previously the school may have met need through own resources.
- 6.3 PVI workforce issue, staffing very stretched and agency costs expensive - In order for settings to remain sustainable they seek funding to support with this

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to enable a child to access a place. Otherwise they may just refuse to accommodate the child.

- 6.4 We have to work in partnership with commercial entities, we have no power to direct to admit. There is a significant and widely acknowledged gap in workforce – lack of suitably qualified staff. This results in providers needing to source staff to provide additional adult support/enhance legal ratios of adults to children, from agencies which have increased prices.

7. Current Criteria

- 7.1 Either; a 3 or 4 year old accessing the early entitlement (*15 hours universal childcare or 30 hours extended entitlement*) **or** a two year old child that turns 3 during the term of application.
- 7.2 The setting provides additional SEN support which is **above** what would be provided for **all** children
- 7.3 Assessments of the child, demonstrate a delay of **more than 12 months** in **two or more** areas of learning
- 7.4 All criteria has to be met in order to qualify

8. Outcomes

- 8.1 There is no specific data available in regard to outcomes and attainment, other than assessment descriptors provided by practitioners; this is mainly due to the changes to the EYFS and the focus on the reduction of paperwork. The indication however is that most children made progress as a result of the funding. Before agreeing to repeat funding each application is reviewed and assessed as to whether what inclusion funding has been used for is meeting the child's needs as identified by the provider.
- 8.2 There is currently no capacity within the service to do this. This would form part of one of the roles we are in the process of presenting to fund via a review of the service to support the expansion of the early entitlements. This would either be funded from the implementation grant expected from the DfE or some underspend of last years EYB.
- 8.3 An outcome of inclusion funding/additional financial support will often be that EHCNA is identified and requested, or child transitions to school successfully or it could be indicated by EYFSP attainment?
- 8.4 Last year approx. 500 children accessed inclusion funding. This is made up of

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a core cohort of 350 applying in Autumn term and then repeat funded over the year, plus around 70 new applications for both spring and summer terms

8.5 The percentage of children accessing inclusion funding with higher level of needs (e.g. *minimum 24 month plus delay*) indicating an EHCP may be issued if requested or where an EHCP is already in process, is around **60%**.

8.6 Going forward impact could be measured in the number/percentage of children with SEND attaining GLD?

2022-2023 data will be available in November

2021-2022

National

- SEN support GLD 22.9%
- EHCP GLD 3.6%

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- SEN support GLD 27%
- EHCP GLD 4%

9. Immediate need and options:

9.1 Resolving the issue for the rest of this financial year (Autumn and Spring Terms), consider the following options:

	OPTION	Impact	Risk
A	Do nothing applying current criteria - continue as is.	Budget will be overspent by approx. £200,000.	The assumption that providers continue to apply as have done in previous years. The assumption that the needs of children are not increasing.

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B	Restrict/limit number of agreed applications.	Budget will stay on track.	Providers working with 100-150 (35%) children not able to access funding. We would take the approach of being more robust with the criteria applications and aim to refuse approx. 35% of applications. This would have an impact on the number of children who can be supported and potentially the settings ability to be able to continue to provide a place for that child. See description below.
C	Increase budget/top up budget.	Budget will stay on track. All providers making successful applications meeting current criteria able to access funding.	Capacity to continue to top-up budget. This would need to be funded either from contingency and/or DAF underspend. Or last years EY carry forward.

Options

- A Continue as usual.** The remaining budget is: £ 427,040 for autumn and spring terms. With approximately 350 applications being submitted per term, if agreed is likely to mean budget will be overspent by £195,306. The table below shows the number of applications received against the last 3 years. It can be seen that the number of applications has increased year on year. It should be noted that in 2021 a large number of children were funded into their reception class as they had not received support or funding whilst in nursery due to Covid. This year all applications have been for nursery aged children. Autumn 22 was closer to Summer 21. Applications jumped in Spring 23.

Summer 2020	Autumn 2020	Spring 2021	Summer 2021	Autumn 2021	Spring 2022	Summer 2022	Autumn 2022	Spring 2023	Summer 2023
62	234	241	308	526	365	350	339	402	352

- B. Restrict spending.** If we use draft OAP document as a benchmark for the criteria to be met and settings have to evidence working above that. This approach uses the current criteria with a more robust benchmark than previously used. This will lead to reduction in the number of applications being made and in applications being agreed. As this is a mitigation and not a

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fundamental change of process we should not need to consult with stakeholders.

C. Increase/top-up budget as short-term measure for remaining 2 terms of financial year. Use the time to review, consult and change access to inclusion funding for 2024-2025 financial year.

9.2 If inclusion funding criteria and process remain as is, we will continue to pay out approx. £360,000. per term from a termly pot of £262,346 which is approx. £ 97,603. over budget per term.

9.3 This increased spending was covered last financial year by using DAF underspend and previous years (*pandemic impact*) carry forward, of the inclusion fund.

10. Financial Implications

10.1 At present budget allocation is broadly steady with previous years (inclusion fund is derived as a percentage holdback of the EY hour rate circa 2.7% of 3 and 4 year old funding and 7.6% of 2 year old funding). Main issues has been that demand has increased.

10.2 The budget allocation for 2023-24 has been confirmed at £787,040 which is an increase on last year.

10.3 Spend for last financial year 2022-2023 was £920k against a budget of £758k – the overspend was managed within other areas of underspend in the EY block.

10.4 2023/24 Early Years Block was finalised in August, however the provisional budget set was predicated on the draft settlement in December. Based on rising demand, there is now a projected deficit of £200k.

10.5 This is the second year where pressure has outstripped funding - the report sets out future mitigations to enable demand to be within budget.

10.6 With regards 2023/24, there is an expected the funding gap of £200k needs to be resolved. There are two options:

- Overspend from 2023/24 is carried into 2024/25 –which would mean the inclusion funding for 2024/25, is extremely limited – **this is not recommended.**
- Schools forum agrees the use of the 2023/24 carry forward to support inclusion fund for 2023/24.

Schools Forum further notes the change in practice of the inclusion fund to reflect the rising demand within the financial constraints.

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11. Going Forward

11.1 In light of the new extended early entitlements that will begin in April 2024 and will continue implementation through to September 2025, we will need to do a broader piece of work that re-designs the process and purpose of the SENIF to ensure that we are meeting need in the best way possible. This is a more extensive piece of work that will need to consider the key issues laid out below.

1. **Two year olds with more complex needs.** Currently there is no funding available for this group to access unless a new high needs funding pathway is developed for this age group. If the child has significant needs, providers are expected to fund this using own resources. It is also very likely that this will become an expectation of the new early entitlements. It has been consulted on, but we have not yet had the government response.
2. **Demand for increased funding to provide a higher level of support** for children who present with significant and profound SEN who are highly likely to require statutory support as they move onto formal education. Currently there is one level of funding meeting both short term SEN/pandemic impact needs and more complex needs of children that are likely to require statutory support. Providers should be able to access high needs funding to support children with more complex and profound needs who are likely to require support via EHC Plan and potentially an SEN place.
3. **Bulk Funding:** Some providers also access large amounts of inclusion funding due to having bigger groups of children with lower level needs (*not necessarily long term SEN*). This could benefit from a cap as the funding should be pooled to benefit the group as opposed to support individual children.
4. **Banding:** Consider 2 levels of banding within SENIF, to be determined in consultation with SEN colleagues and an additional level for children who might potentially require statutory support from the high needs block. We would need to model what each band might look like for each level of need.

11.2 Other aspects for consideration

It could be prudent to consider asking for examples of the child's developmental needs in the 4 areas of the SEN code of practice:-

- Cognition and learning,

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- social, emotional and mental health difficulties
- physical and sensory needs
- communication and interaction

We may wish to utilise the above in order to reintroduce a way of describing a judgement on development or we could create a developmental framework.

We could also consider using development matters and Birth to 5 matters as developmental framework – providers typically use these documents. Development matters is recommended by DfE but the age bands are very broad so most providers use Birth to 5 Matters (written by sector for sector) where age bands (ranges) are similar to original Development Matters. As it is not DfE recommended, we'd need to be careful about insisting on this being used as part of criteria. It was also not created to be assessment/tracking tool. However we should be aware that this may contradict the requirements of the statutory EYFS requirements.

12. Summary

The information provided in the report is intended to set the context and case for future review. A decision regarding the overspend of the inclusion fund for 2023/24 is required as set out under financial implications in section 10. The report also sets out some of the factors for consideration when the SENIF is reviewed more fully over the coming months. It is suggested that options for this new model is brought back to Schools Forum for approval in January 2024.

13. Recommendation

It is recommended that Schools forum agrees the use of the 2022/23 carry forward to support inclusion fund for 2023/24.

That Schools Forum further notes the change in practice of the inclusion fund to reflect the rising demand within the financial constraints.

Schools forum also notes that a post implementation review would be appropriate of the proposed changes recognising any local offer must remain within the financial consideration.

14. Legal implications

Local authorities are required to have SEN inclusion funds for all three and four year olds with special educational needs who are taking up the free entitlements, regardless of the number of hours taken. These funds are intended to support local authorities to work with providers to address the needs of individual children with SEN and to undertake their responsibilities to strategically commission SEN services as required under the Children and

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Families Act 2014. The SEN Inclusion Fund should be targeted at children with lower level or emerging SEN. The value of the fund must take into account the number of children with SEN in the local area, their level of need, and the overall capacity of the local childcare market to support these children. Local authorities must consult with early years providers to set the value of their local SEN inclusion fund.

15. Equalities implications

There are no direct EI implications arising from this report as it complies with the implementation of the EYNFF which its self would have been through the EI assessment.

16. Climate change and environmental implications

There are no climate change or environmental implications of this report.

17. Crime and disorder implications

There are no crime and disorder implications of this report.

18. Health and wellbeing implications

There are no direct health and wellbeing implications

19. Report authors and contact

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