

DSG High Needs Block Financial Forecast and Mitigation – Reminder and Update**Introduction & Reminder**

1. We presented to the Schools Forum on 11 January 2023 an updated 4-year financial forecast of our High Needs Block, which indicated that we may overspend the High Needs Block as follows:

	2023/24	2024/25	2025/26	2026/27
In year overspend	£4.20m	£10.53m	£16.01m	£21.78m
Overspend as a % of income	3.6%	8.7%	12.7%	16.8%
Cumulative HNB balance	+ £21.63m	+ £11.10m	- £4.91m	- £26.69m

2. On this basis, whilst also explaining the estimated nature of this forecast, we presented to the Schools Forum the view that there is clear risk of a cumulative deficit building within our High Needs Block by the end of the 2025/26 financial year, as a result of recurrent structural in-year over spending. We stated that the risk of cumulative deficit by the end of the 2026/27 financial year is then high.
3. In the context of expected, more limited, High Needs Block funding settlements from the DfE, we explained that, whilst there are other spending pressures, including in Alternative Provision, it is the further estimated growth in spending in 4 areas, in particular, over the next 4-year period, which mostly explains the substantial downturn in our High Needs Block financial position.
- Local specialist places (greater revenue cost from the creation of more specialist places).
 - Independent and Out of Authority Placements.
 - Mainstream EHCPs, including the SEND Funding Floor and EHCPs in early years PVI settings.
 - EHCPs for Post 16 students in Further Education Institutions (including SPIs).
4. In January, we highlighted 4 main uncertainties, which will have direct implications for our High Needs Block going forward:
- Whether we are successful in our bid for a Special School Free School.
 - The outcomes of the national reviews on SEND, EHCP and Alternative Provision systems and funding (the SEND Green Paper). It is likely that national changes will alter the cost base that our High Needs Block will need to manage.
 - The rate of continuing growth in the number of children and young people with EHCPs in Bradford, including the numbers that will require specialist provisions, as well as high cost independent provisions, in the context of wider demographic changes. We are currently experiencing significant growth in these numbers, but for how long will growth (at this rate) continue?
 - Whether the annual increases in High Needs Block funding allocated by the DfE will keep pace with increasing costs. On current information, assuming no change in EHCP growth rates, we assume that funding is unlikely to keep pace with costs growth. This is because the DfE has previously indicated that it expects EHCP growth rates nationally to slow and that future High Needs Block funding settlements will be calculated on this basis.

Update at May 2023

5. In regards to the 4 main uncertainties:

- a. As we reported to the Schools Forum on 8 March, we have been unsuccessful in our bid for a new Special School Free School. As such, where we forecast that we will need to continue to create additional local specialist places, we will need to find alternative ways of doing so, which will have both revenue and capital funding implications. We are now in a very clear position however, where we must ensure that all new places creation for this point on is affordable and can be sustained by the High Needs Block.
- b. The DfE has now published an 'improvement plan' regarding the SEND Green Paper. This plan, although setting out a direction of travel for the development of Alternative Provision, for the strengthening of inclusion and for the introduction of a set of national consistent standards regarding EHCP access and funding, does not yet provide substantial information, which enables local authorities to closely assess the financial impact of the changes. We anticipate that changes will have financial consequences (both for the DSG and for individual settings) but these, and the timescales for their impact, are currently unclear. It is also evident that changes are likely to create savings as well as result in increased spending, with the clear possibility that increased spending e.g. on early intervention and on alternative provision outreach activities will be required to take place before savings might come in to offset this.

In its recent messaging to local authorities, the DfE has stressed that the Green Paper represents a longer term programme of change - changes will not resolve short to medium term financial stresses - and that local authorities must take action now to secure the sustainability of their High Needs Blocks. The DfE indicates that the introduction of a national banding system for the allocation of top-up funding for EHCPs is a development for the medium, not for the short, term. The DfE has also stated that changes in mainstream financial mechanisms related to high needs (such as review of the £6,000 element 2 value and threshold, and the definition of Notional SEND budgets) will be progressed within the development of the 'hard' National Funding Formula (NFF). The DfE has stated its intent to fully implement the hard NFF by 2027/28. The DfE has recently published its response to the latest NFF consultation (we present this to the Forum in Document PX). This response says very little about the immediate development of high needs formula funding mechanisms, though it does confirm the continuation of the calculation of a notional indicative SEND budget and indicates that there might be some review of the DfE's guidance on this for 2024/25. However, the general tone of the DfE's response perhaps indicates that, although there may be smaller changes, any bigger changes in funding mechanisms will not come in 2024/25.

- c. We have no new information, since last presented in January 2023, which changes our view about the continuing rate of growth in the number of requests for assessments for EHCPs, in the number of EHCPs that are funded, and in the number of requests for specialist placements. This is information that will continue to be collected over time, to confirm or to change our forecast.
 - d. We have no new information, since last presented in January 2023, which updates our understanding of whether the rate of increase in High Needs Block funding that is allocated by the DfE will keep pace with the rate of growth in our costs. We still anticipate that our cost growth will exceed funding growth in 2024/25 and in 2025/26. We expect 2024/25 High Needs Block allocations to be published in July 2023.
6. We are still in the process of closing down the 2022/23 financial year, to confirm the High Needs Block spending position and the confirmed value of surplus balance that will be carried forward into 2023/24. This will be presented to the Schools Forum, as usual, in July. For the planned budget, which was discussed with the Forum in January, we estimated a High Needs Block carry forward balance of surplus £25.83m.
 7. For the planned budget, we estimated that we may need to allocate a sum of £3.28m from this carry forward balance to generally support 2023/24 High Needs Block spending. This included a budget of £3.4m for new

specialist places. It is still very early in the financial year for us to be able to assess in the round whether our forecast should be substantially revised.

8. Finally, Forum members are reminded that the Authority presented reports in May (Document OM) and July (Document OR) 2022, following discussions regarding the use and retention of the High Needs Block surplus balance that was carried forward from the 2021/22 financial year. The July 2022 report set out a plan for £920,000 of investment, in 3 areas, in support of inclusion. This initial investment will run to the end of the 2022/23 academic year, where it has been agreed that a review of impact will inform whether the High Needs Block surplus balance continues its investment in these areas. For planned budget purposes, back in January, we assumed that the £0.920m would continue.

Review – What is the DfE expecting local authorities to do?

9. Ultimately, the DfE expects local authorities to achieve financial sustainability within their High Needs Blocks.
10. As stated above, in its recent messaging, the DfE has stressed that the SEND Green Paper represents a longer term programme of change - changes will not resolve short to medium term financial stresses - and that local authorities must take action to secure the sustainability of their High Needs Blocks. The Green Paper does however, set out a direction of travel, focusing on inclusion, early intervention, consistency, and effective use of specialist places (reducing over use of more expenditure independent placements), from which we can see that cost savings to the High Needs Block are an intended consequence. The development of a national banding system for the allocation of top-up funding for ECHPs would deliver spending savings in local authorities that are currently allocating higher values of top-up than the DfE determines, albeit that the level of funding individual settings would receive would reduce and would no doubt need to be protected in transition. A review of the £6,000 element 2 threshold could also have substantial implications for the High Needs Block. For example, if the threshold was increased to £8,000, with no transfer of funding between the High Needs Block and the Schools Block in response, the cost of top-up to the High Needs Block for every EHCP would automatically reduce. However, this could go the other way, or not change at all. It is also clear that new and / or enhanced activities that are to be developed to support alternative provision early intervention, and to strengthen SEND inclusion, are likely to offset savings, especially in the short term. It is highly possible that savings will only come after more spending takes place. The SEND Green Paper therefore, is not likely to 'solve' (or perhaps even contribute significantly to solving) our 3-year financial forecast deficit issue.
11. In the short term, alongside formal intervention activities (such as the 'Safety Valve Programme' for local authorities with the largest DSG deficits), the DfE has published a number of pieces of guidance for all local authorities to consider. This guidance ultimately focuses on the following main recommendations for local authorities (these are closely quoted from the DfE's guidance):
 - a. Local authorities should invest properly in SEND leadership, with dedicated time for strategic functions to avoid constant distractions from operational pressures.
 - b. Authorities should review their joint commissioning arrangements to support more balanced contributions to high needs provision from the 3 key services (Education, Health and Social Care).
 - c. Officers with SEND and Finance Responsibilities should have joint accountability for effective management of this area, with high priority given to effective communication and mutual support.
 - d. Local authorities should review their capacity for SEND support (and its funding base) to help strengthen their influence on the range of relevant outcomes. They should develop clearer agreements with services, which set out commissioning expectations and monitoring arrangements.

- e. Local authorities should review their current staffing levels and structures for SEND casework and enhance where necessary, as part of their broader strategy for improvement management of high needs expenditure and quality of service delivery.
- f. Local authorities should review and further develop their approaches to partnership with key stakeholders, taking into account the positive practices that are described in the DfE's guidance.
- g. When creating new specialist provision, local authorities should be clear about the expected range and levels of need that this will cater for. They should also consider the potential impact on future demand and whether this can be financially sustained. The case for any proposed development should include detailed projections on the balance between investment and savings.
- h. With regard to developments in local mainstream provision, investment should be targeted at strengthening inclusion, with impact monitored and evaluated at that level.
- i. Local authorities should set out more clearly their expected pathways for young people with different levels of need, ensure that these are presented earlier and more clearly to young people and their parents, and evaluate quality and outcomes on a more regular basis. Pathways should be realistic but ambitious.
- j. Local authorities should learn from positive examples of innovative approaches to mainstream funding (including the option of greater devolution of resources to individual schools / groups of schools with clear expectations of outcomes).

12. National Review so far has also identified the following opportunities for strengthening National Policy, which are captured within the SEND Green Paper:

- a. Clarification of the role of local authorities in commissioning.
- b. Developing accountability and partnerships: at strategic level; across groups of schools; active engagement with parents.
- c. The development and strengthening of local provision, and reducing reliance on EHCPs, through: establishing better understanding of what is 'ordinarily available'; involvement of all school leaders in local cluster working, with collective responsibilities and peer challenge and support as part of a local accountability framework; ensuring greater transparency in the use of mainstream delegated SEND funding; stronger profile to SEND pathways that include those with more significant needs who may not "close the gap".
- d. Authorities and clusters, learning and from each other, maximising opportunities for creativity and innovation.

13. The Local Authority is now further considering the DfE's guidance, and this will form part of our developing plan. Some aspects are already being acted on. For example, the Forum will identify that the Authority has for some time now closely reviewed the creation of specialist places, and that we have looked to invest in inclusion (the £0.920m investment from the High Needs Block balance) and will review the impact of this investment. The Authority has also recently closely considered the capacity and organisation of teaching support services, which are funded from High Needs Block, and of EHCP assessment services, which are funded from the Council's base budget. The Authority reviewed our definition of Notional SEND budgets and amended this for the 2023/24 financial year. The Authority's SEND Funding Floor serves already to support the inclusion of children and young people with EHCPs in mainstream schools.

Developing A Mitigation Plan – What do we need to consider (for 2024/25)?

14. A starting point for the development of a plan is to look at the High Needs Block, broken down by size of budget. We might assume, at the planning stage, that mitigation would come more significantly from the larger budgets. The table below repeats the 2023/24 High Needs Block planned budget at summary heading level, sorted by cash value / percentage of the total budget.

Budget Heading	2023/24 (£m)	%
Place Plus - Maintained Special Schools and Special School Academies	£38.182	31.5%
Independent & OLA Placements & Education OLAs	£21.750	18.0%
Mainstream EHCPs (Pre 16) including SEN Funding Floor and PVI EHCPs	£18.604	15.4%
Place Plus - EHCPs Post 16 in Further Education institutions	£9.008	7.4%
Place Plus - School-Led Resourced Provisions Primary & Secondary	£6.097	5.0%
Teaching Support Services	£5.715	4.7%
Place Plus - PRUs & Alternative Providers	£4.067	3.4%
Place Plus - Other LA Resourced Provisions	£3.522	2.9%
Place Plus - New SEND Places not yet allocated	£3.409	2.8%
Place Plus - LA-Led Resourced Provisions - Sensory	£2.752	2.3%
Place Plus - Early Years Enhanced Provisions	£1.650	1.4%
Medical Home Tuition, EinH & Tracks Central Service	£1.583	1.3%
TPG & TPENG special schools, resourced provisions and AP providers	£1.540	1.3%
Grant to Special Schools / Academies & PRUs / AP re. the 3.4%	£1.393	1.2%
BSF (PFI) - Special Schools	£0.917	0.8%
Speech & Language Therapy Services	£0.328	0.3%
Special Schools Inclusion Outreach	£0.240	0.2%
Mainstream EHCPs (Post 16 element 2 cost)	£0.150	0.1%
Specialist Equipment	£0.100	0.1%
Copyright Licences	£0.078	0.1%

- a. The top three budget headings (special schools and special school academies; mainstream EHCPs; OLA, independent and non-maintained placements) account for nearly two thirds of the High Needs Block planned budget (65%).
 - b. The top five headings (adding school-led resourced provisions and post-16 EHCPs in Further Education institutions) account for more than three quarters of the High Needs Block planned budget (77%).
 - c. 93% of the High Needs Block planned budget in total is allocated to the cost of places provision. Correspondingly, 7% is allocated to other centrally managed expenditure, of which the most significant spend heading is Teaching Support Services (5%).
15. The forecast that we presented to the Schools Forum in January (repeated in paragraph 1) indicated the potential development of a very sizeable value of in year overspending, with a £10.53m overspend forecasted in 2024/25. We can now broadly assume that the SEND Green Paper reforms will not substantially contribute to us achieving a balanced High Needs Block budget over the next 3-year period, and certainly not in 2024/25. We now know that we have not been successful in achieving a Special School Free School. There are though still 2 significant uncertainties: the level of funding we will receive from the DfE and the continuing rate of growth of SEND in Bradford. At this time, we do not have any new information on these. It is anticipated that, by September 2023, we will have some more intelligence on what both 2023/24 and 2024/25 look like financially, including news of the DfE's 2024/25 DSG settlement and information in respect of the continuing scale of growth in the numbers of

EHCPs and placements this year. We will also be in position to review the impact of our £0.920m investment strategy spending, and whether this continues, and to review the creation of new specialist places for the 2023/24 academic year.

16. As we continue to consider strategic aspects of our approach to supporting high needs children and young people, in the light of the DfE's guidance and recommendations, for 2024/25 we will specifically need to consider what the balance should be between us using available High Needs Block carry forward balance (reserves) to cover any overspending vs. taking some action to reduce the size of the overspend, most prominently, by controlling / constraining / reducing the funding that is allocated via our High Needs Block place-plus funding models. We will also need to consider whether we can continue to afford to create more specialist places (and also consider the relationship of this creation to the cost of independent placements).
17. In its NFF response, the DfE has confirmed that there will continue to be the flexibility for local authorities to transfer Schools Block funding to the High Needs Block, adjusting mainstream schools and academies formula funding to do so. This is an aspect of sustainability that we will need to discuss more closely i.e. the ability to transfer, though subject to Secretary of State approval, is a mechanism that is available to help avoid High Needs Block deficit and / or to help us to finance High Needs Block activity that we otherwise may not be able to afford. Within the development of our mitigation plan, we need specifically to consider in what circumstances we would consider using this facility, for example, in a situation where the alternative would be to reduce or cease existing spending that mainstream schools and academies directly benefit from (such as the SEND Funding Floor or mainstream teaching support services) or where a transfer is made to enable additional investment in activities that mainstream schools and academies directly benefit from, such as inclusion support or alternative provision early intervention activity.
- 18. The Schools Forum is asked to consider this update and to discuss how members would like to be involved in the further development of a mitigation plan over the summer and early autumn, with this feeding immediately into the 2024/25 DSG formula funding and decision making cycle.**