

Pressures on High Needs Block and the Safety Valve Agreement

1.Introduction

The DSG has four separate funding blocks, of which one is the high needs block (HNB), with a deficit of £21,214,351 at the end of financial year 2021/22. The HNB deficit has been subject to a Safety Valve Agreement with the DFE since March 2021.

The HNB collectively funds specialist education provision for children and young people up to 25 years old with Special Education Needs and Disabilities (SEND). The main areas of funding within the HNB are for:

- special school and further education (FE) college places including out of borough places
- top-up funding for nurseries, mainstream schools, special schools, FE colleges and independent schools linked to Education, Health and Care Plans (EHCPs)
- support for the provision of special services provided by schools and the local authority (LA), which include but are not limited to, the Sensory Service and resource provision in mainstream schools

The HNB pressure has been recognised on a national level, and forms part of the governments SEND review, including looking at how to better equip mainstream settings identify and support children and young people’s needs, instead of being met by EHCPs or specialist provision

2.Progress in achieving savings targets

2.1 There was an ambitious target of £3.3m of savings to be achieved in 2022/23, as follows:

	FY 21/22	FY 22/23	Progress
Savings included in HNB expenditure profile	-868,000	-3,217,630	
Banded EHCP Model and thresholds		-644,758	Achieved
Banded Special School Model & Moderation review		-1,015,872	New model implemented. Moderation planned for Spring term. In the light of this, delay action has been taken to claw back excessive surpluses of £1,015,872
Review of Alternative Provision Placements		-282,000	Not achieved due to increasing levels of severity of need
Review of Non-Statutory Services	-694,000	-927,000	Achieved
In-Year Savings estimates / Forecast Budget reviews	-174,000	-348,000	Partially achieved- shortfall due to increasing demand

£2.9m of the planned savings have been achieved.

2.2 Top ups and banding

The previous two submissions from June 2022 and September 2022 highlighted the impact of the new banding system in mainstream schools. This has resulted in local schools meeting local demand in a more cost-effective way. However, the continued rise in the numbers of EHCPs has meant that expenditure will exceed the planned budget by £2.4m.

The abolition of the top band of top-up funding (Band D+) for special schools has been implemented with the agreement of the schools. This has achieved the £0.7m savings target for this aspect of the programme. However, the moderation programme has proven more difficult to achieve. The process of internal moderation did not achieve the re-balancing of bands to the levels of 2019/20 as hoped and we are therefore planning to introduce external moderation this term.

As a result of the delay in implementing the moderation process, we have initiated the process of clawing back £1.015m in excess balances from the maintained special schools and the PRU.

The top up funding bands for special schools have been benchmarked against other Local Authorities and after review it is proposed to bring the top up funding bands in line with GM and NW funding allocations.

2.3 Improved Financial Control through Panel Process

An improved and more robust panel process has been put in place, chaired by the Strategic Lead for SEND, to review all placements prior to agreement. As well as strengthening quality assurance, the revised panel provides more financial control and challenge to individual placements. This has given assurance that, although Bury has increased its Independent and Non-Maintained Special School placements by 24 since August 2022, these are all appropriate placements for children with complex needs that could not be met in mainstream or within the existing special school place numbers.

2.4 Revised PSV Finance Profile

However, the latest PSV finance profile shows that the overall financial position has worsened significantly. We are now facing a negative change from that reported to the DfE in September 2022 of £2.2m as a result of increased spending on Independent and Non-Maintained Special School placements (increased by £1.5m) and on mainstream school top-ups (£0.675m).

In light of this, we will need to bring forward plans to reduce costs substantially in those areas directly under the council's control and to look to bring the level of top-ups to levels commensurate with the Greater Manchester and north-west region norms which, given how far Bury has been traditionally generous, will be a significant challenge.

2.5 National Demand

There is clear evidence nationally that of the Covid pandemic has considerably increased the level of special educational needs in children and young people for the following reasons:

- The disruption to schooling has significantly widened the attainment gap
- The pandemic has adversely affected the mental health of children and young people
- The lack of opportunities for socialisation has adversely affected the development of many children
- All services dealing with children with SEND have had difficulty identifying such vulnerable children when they are not accessing education and other services, resulting in delays in identification of SEND, the implications of which are now feeding through the system.

This has been identified nationally. Most local authorities have reported very significant increases in requests for assessment and the proportion of children identified with SEND is likely to rise significantly. The DfE's survey of SEND in January 2022 reported that the percentage of children with an EHCP had increased to 4% from 3.7% in 2021 and that the number of EHCPs had increased by 9.2%.

This picture will have progressively worsened since that survey as the full impact of the pandemic works its way through the system. This trend has continued and shows no sign of easing.

2.6 Demand in Bury

We have since seen a steady increase in the number of EHCPs each month in this school year. There has been an increase of +2.2% month on month from November 22 – December 22. Year on year we see an +8.1% increase from December 21 to December 22.

Since the last submission in August, we have seen a significant increase of +7.3% in total EHCPs maintained by Bury (2281 in December 22, up from 2125 in August 22). We predict that by 2025 we could have in the range of 2500 EHC Plans maintained by Bury if the figures follow similar trends over the next few years. This is a 22.7% increase on our current figure.

2.7 Impact on Capacity in the Bury SEND System

We recognise that Bury has historically been under-provided with its own specialist provision, with only two Special Schools, both of which have been expanded significantly in recent years. Therefore, we have placed a high priority in the PSV programme on increasing our specialist SEND capacity, both with new Special Schools and with new Resourced Provisions. However, these take time to implement. From September 2022, we have had an additional 14 RP places available, but the intention subject to building works in some cases is to bring a further 70 additional places at the start of the 2023/24 academic year.

Our initial plans did include a modest growth in the VNMSS sector, recognising this capacity gap. However, the massive growth in numbers and the higher levels of severity of need coming through, and the fact our internal provision is full, causes a significant strategic and financial problem.

2.8. Independent and Non-Maintained Special School Placements

The variation from June to September is very significant:

All OOB	
June 22 Report	9,966,416
Sept 22 Report	13,441,549
Jan 23 Report	14,911,651

Independent and Non-Maintained Special School placements comprise the majority of the increase.

The major issue is that our specialist provisions are full. However, the significant growth in the numbers of reception and Key Stage 1 pupils with severe needs has meant we have been forced to place significant numbers in the VNMSS sector. The budget was forecast on the basis of a small growth in numbers in this sector, followed by a steady fall from September 2023 as the places in the new Special Free School come online. In fact, from August 2022 to December 2022, the number of placements has increased by 24.

In addition, fee levels are rising as these schools look to pass on cost increases. The average fee levels have increased by approximately 10% over the past year and now exceed £50,000. This is despite the fact that we use the North-West framework.

3.0 Summary of financial position

These developments mean that our progress in reducing the DSG deficit is slower than anticipated and it will be very challenging against the increasing activity

	2022/23	2023/24
Total forecast expenditure	44,991,035	45,297,256
Items to be funded directly by ESFA	-3,314,000	-3,350,733
Costs to be funded by HNB held by the Council	41,677,035	41,946,523
HNB Cash Income	-36,552,920	-40,522,687
PSV Funding	-4,000,000	-3,000,000
Transfer from Schools Block	-715,200	-521,068
Surplus Balance Clawback	-1,015,872	
In-year surplus to reduce the deficit	-606,957	-2,097,232
DSG Deficit Brought Forward to 2022/23	21,214,351	20,607,394
Forecast DSG Deficit Carried Forward	20,607,394	18,510,162

3.1 Transfer from Schools Block

Schools Forum in the past has agreed to a 0.5% transfer to the High Needs Block (HNB) from the Schools Block. For 2023/24, the Council has not proposed a transfer at that level and is proposing a smaller transfer of 0.35% instead. This decision has not been made because of there being less need in Bury. It has been made for the following two reasons:

- I. To make sure that schools are in receipt of no less than the unit values attached to the National Funding Formula factors; and
- II. There is an acknowledgement across the Council, that whilst the HNB is under severe pressure, many school are also under significant financial pressures

This is a decision which can only be made annually and therefore whilst it is anticipated a further transfer will take place in future years this can not be included within the financial model at this time.

4.0 Conclusion

We recognise the financial forecast is disappointing, particularly given the efforts made to deliver the PSV project. As a result, all aspects of High Needs Funding are subject to ongoing review and there will be further difficult decisions required and a general commitment towards ensuring the graduated approach is used to meet needs earlier.