	Schools Forum 1 March 2022
	Report from the Strategic Director of Children and Young People
The Dedicated Schools Grant (DSG) High Needs Block Management Plan update	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	N/A
No. of Appendices:	One - Appendix A – DSG HNB Management Plan
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Sharon Buckby Head of Inclusion Service and Virtual School Headteacher Tel: 0208 937 1447 Email: sharon.buckby@brent.gov.uk Olufunke Adediran Head of Finance – CYP 0208 937 1196 Email: olufunke.adediran@brent.gov.uk

1. Purpose of the Report

- 1.1. To update the Schools Forum on the refreshed High Needs Block (HNB) Deficit Management plan.

2. Recommendations

- 2.1. That the refreshed HNB Deficit Management Plan be noted.

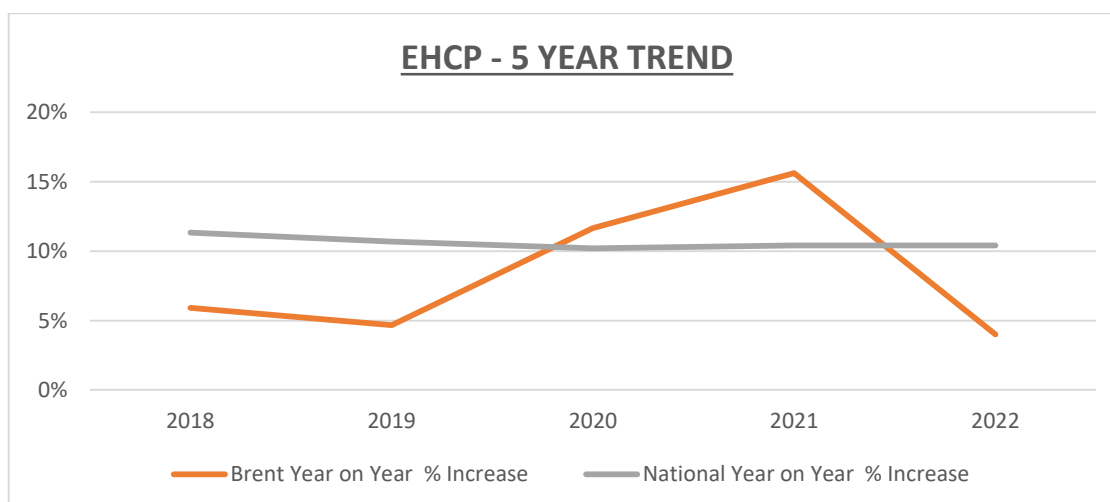
3. DSG Current Position

- 3.1. The High Needs Block (HNB) element of the DSG carried forward a cumulative deficit of £10.5m from 2020/21. The 2021/22 Quarter 3 forecast position against the DSG is an in year deficit of £5.4m which is mainly due to a deficit in the HNB. This brings the cumulative forecast deficit position to £15.9m.

Table 1	2021/22 DSG Income £m	2021/22 DSG Expenditure £m	Variance (surplus) /deficit £m
Schools Block	(117.5)	117.3	(0.2)
High Needs Block	(60.0)	65.3	5.3
Early Years Block	(23.4)	23.9	0.5
Central School Services Block	(2.3)	2.1	(0.2)
Total DSG	203.2	208.6	5.4
2019/20 Deficit:			4.9
2020/21 Deficit:			5.6
Cumulative Deficit:			15.9

- 3.2. The cumulative deficit of £15.9m is mainly due to increased demand for Special Educational Needs provision within the HNB. Demand has continued to increase and despite additional funding from the DfE, it has not been possible to recover the deficit which began in 2019/20. A longer term financial management plan to recover the deficit is required and has been established.
- 3.3. The main cost driver in the HNB is the rise in demand for Education, Health and Care plans (EHCPs) following national reforms from 2014, increasing complexity of children's needs and the rising costs of out of borough placements. The rise in demand for EHCPs has been experienced nationally and Table 1 below reflects the 5 year trend of EHCP growth in Brent and nationally. As at January 2022 the number of children with EHCPs was 2,895, a 4% increase from January 2021 which is lower than prior year increases.

Table 1	January 2018	January 2019	January 2020	January 2021	January 2022
Financial Year	2018	2019	2020	2021	2022
Number of EHCP	2,076	2,173	2,426	2,784	2,895
Brent Year on Year % Increase	6%	5%	12%	15%	4%
National Year on Year % Increase	11%	11%	10%	10%	10%



4. HNB Management Plan update

- 4.1. The DfE announced a SEND review in 2019, and the Green paper is expected Spring 2022. The outcome of the paper is likely to have an impact on the current Management Plan and any changes will be refreshed accordingly and presented to the Schools Forum.
- 4.2. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020, allows authorities to hold DSG deficits in a separate reserve in the authorities accounts but this accounting treatment is only allowed up to and including the accounts for 2022/23. Due to a number of authorities still holding large DSG deficits, further guidance is expected from the DfE regarding how DSG deficits should be treated after 2022/23.
- 4.3. The Brent HNB Deficit Management Plan has been updated to reflect further guidance from the DfE concerning the rate of growth to build into the financial model for future years. The revised assumption is that the HNB income will increase by 13% in 2022/23, 5% in 2023/24 and 3% in the future years.
- 4.4. The Management Plan is reported against three themes namely; Managing Demand; Improving Sufficiency of Places and Financial Management.
- 4.5. **Managing Demand**
 - The SEN Support conditional grant with a £0.5m envelope is being piloted in the academic year 2021/22 to increase early intervention activity through a schools based graduated approach which intends to reduce escalation of need to Education Health and Care Plan (EHCP) level. This has been deemed as innovative by the DfE and to date 4 out of 5 clusters have submitted plans. The SEN advisory team are supporting SENCOs in these clusters to timetable and then commission provision. The plan for the 5th cluster is expected by the end of February. Key areas of priority identified by clusters are upskilling staff to support pupils with speech language and communication needs, neurodiversity and delayed learning. Workforce development will be completed this academic year with impact evaluated in the autumn 2022 via feedback from schools, submissions to the EHC assessment panel, annual reviews and requests for change of school placements. This early evaluation will assist in whether to continue with and shaping the use of this SEN Support conditional grant in 2022/23.
 - The revised EHCP assessment and planning and review process introduced in April 2021 has led to a significant improvement in the quality of assessment submissions and subsequently EHC plans. Of interest are the numbers presented for an EHC referral for children under 5 with additional needs of communication and interaction. Brent CYP will be

working with settings schools and health colleagues to strengthen the school readiness offer in Brent, particularly in the light of the impact for under 5s of the COVID-19 pandemic.

- At the end of January 2022, the number of EHCPs had risen to 2895, which is a 4% increase from January 2021. This indicates that the rate of growth is slowing as a result of actions mentioned above. To date, as previously reported, 88 EHCPs have ceased, resulting in a part year cost avoidance of £0.471m (projected full year cost avoidance of £0.565m).

4.6. Improving sufficiency of places

- **Establish more SEND provision in-borough.** Further to the approved School Place Planning Strategy 2019 – 2023 (November 2021 refresh), Cabinet has agreed in January 2022 a £44m capital investment programme to provide additional school places for the growing number of children in the borough with SEND. The programme will deliver 427 SEND places in borough leading to an estimated cost avoidance of c£5.9m by 2025 which is the estimated value when comparing the cost of placing children out of borough and in Independent Non Maintained Schools (INMSS) to the cost of placing children in borough. This programme will deliver school places through Additionally Resourced Provisions (ARPs), Special School expansions and a new Special School, which will enable more Brent children to be placed within Brent as opposed to out of borough schools and independent non maintained schools.
- **Create more provision and pathways for Post 16** students funded by the High Needs Block. A full business case to adopt a new approach to supporting older young people with SEND is being developed for Cabinet approval in the financial year 2022/23 as part of the SEND capital plan.

4.7. Financial Management

- **Review of the health needs offer with the CCG and Public Health.** CYP intends to expand the joint commissioning of provision with the Integrated Care Partnership (ICP) in 2022/23 to ensure a system wide approach to meeting needs with schools, settings, and parents/carers via the Brent Parent/Carer Forum, CCG commissioners, Public Health and provider services working together to review how therapies are delivered and how medical/health needs are met in schools and alternative provision. With a new approach, this will reduce the pressure on the HNB.
- **Reduce the DSG funded SEN support services** or fund these services from the General Fund. The pressure due to increasing demand for EHCPs

has led to a cost pressure regarding Educational Psychology Services borne by the DSG. In 2021/22 growth funds have been allocated by Brent Council to increase the Educational Psychology Services establishment enabling the service to meet its statutory duties as well as provide the additional early intervention required to manage down demand. This will reduce the pressure on the DSG by £0.2m.

- **Ensure the package of support for each pupil is cost effective.** A consideration for additional top up funding has been undertaken for 29 pupils attending out of borough provision. All packages are under review as part of the annual review process and £50k has been secured so far this academic year. A separate review is underway for those attending Independent Non-Maintained Special Schools (INMSS), and a Brent Council transport policy review will take place in 2022/23 with the cost avoidance being quantified once the review is completed. To date £35k savings has been identified through Brent Council's transport recoupment.
- **Ensure full cost recovery from other local authorities.** Other local authorities which place children in Brent high needs settings are charged standard top up rates to recoup the cost of funding. These could be increased to account for administration overheads, rising costs and to help reduce demand for places. Charging more to other authorities does not lower the overall regional or national cost of SEND provision, but if Brent does not do this it will lose out financially. Brent is a net exporter of SEND pupils to other local authorities, who are already raising their recoupment charges. It has been agreed by the Schools Forum that a 5% charge be applied on the top-up element for all placing authorities from September 2021, in recognition of the additional services put into place by Brent.
- **0.5% transfer from the Schools Block to the High Needs Block** was approved by the Schools Forum to support the HNB in 2021/22 and also in 2022/23.
- **Continue to lobby central government** for funding increases which properly match the levels of need in Local Authorities such as Brent. This continues to be an issue raised by Society of London Treasurers (SLT) and London Councils, with the Deputy Leader of the Council actively part of the lobbying process.

4.8. Table 4 below summarises the indicative cost avoidance of the actions identified in this report where quantifiable.

Table 4

Action	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000
Managing Demand					
- Assumes slowdown in EHCPs	471	565	565	565	565
Improving Sufficiency of places					
- New secondary special school		576	576	576	1,200
- ARPs and Special school expansion	71	204	725	893	1,037
- Alternative Provision		110	110	110	110
- Post 16 skills resource centre				100	100
Financial Management					
- 0.5% Schools Block transfer	1,185	1,240	1,200	1,200	1,200
- Reduce the DSG funded SEN support services	270	270	520	520	520
- 5% Administrative charges	39	67	67	67	67
- Commissioning Arrangements	126				
- Review package of support	85				
Total Indicative cost avoidance	2,247	3,032	3,763	4,031	4,799

5. DfE Update

- 5.1. A letter received from the DfE by Brent on 4th February 2022 notified of the provision of an additional £150m for a “safety valve” programme in 2022/23 for local authorities with the highest DSG deficits and the DfE plan to work with over 30 local authorities to achieve a financially stable system. The DfE aim to contact individual authorities shortly, to invite them to participate in the programme.
- 5.2. The DfE will also introduce a new programme called Delivering Better Value in SEND to provide dedicated support and funding to help local authorities reform their high needs systems. Eligible authorities will be contacted directly in the Spring. Provision of £85m over 3 years from 2022/23 has been made to support a wider group of LAs with smaller DSG deficits. It can be assumed at this stage that Brent will be contacted to be a part of one of these programmes and the Schools Forum will be updated accordingly.

6. Financial Implications

- 6.1. Appendix A shows the detailed Management Plan costed to date. Table 1 above shows a forecast cumulative DSG deficit of £15.9m at the end of Qtr 3 which includes a £0.5m deficit against the Early Years Block offset by underspends against the Schools Block (£0.2m) and Central Block (£0.2m).

6.2. The previous forecast cumulative deficit presented to Schools Forum projected a deficit of £18.5m by 2025/26 and assumed an average growth in income of 7% year on year. The revised model incorporates the rate of growth of 13% in 2022/23, 5% in 2023/24 and 3% in the future years.

6.3. Table 5 below models the financial implications of the cost avoidance estimates identified in the report and assumes an average growth in expenditure of 7%. The working assumption is that the indicative cost avoidance ranges from £2.2m in 2021/22 to £4.8m by 2025/26. It is assumed that the increased funding in 2022/23 and the mitigating items will enable a reduction in the cumulative deficit in 2022/23 and 2023/24. However, due to planned reduction in the rate of growth for the HNB funding mentioned above, the deficit is likely to increase and by 2025/26, the cumulative deficit is now projected to be c£19.3m.

Table 5	Actual 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25	Projected 2025-26
In year Forecast	£000	£000	£000	£000	£000	£000
Expenditure	67,346	73,901	76,040	81,633	86,969	91,895
HNB Allocation	(61,113)	(66,396)	(74,800)	(78,540)	(80,896)	(83,323)
Funding Gap	6,233	7,505	1,240	3,093	6,072	8,572
Forecast Cost Avoidance						
Managing Demand		(471)	(565)	(565)	(565)	(565)
Improving Sufficiency		(71)	(890)	(1,411)	(1,679)	(2,447)
Financial Management		(1,705)	(1,577)	(1,787)	(1,787)	(1,787)
Management Plan		(2,247)	(3,032)	(3,763)	(4,031)	(4,799)
Forecast in year Deficit/(Surplus)	6,233	5,258	(1,792)	(670)	2,041	3,773

Indicative Cumulative Deficit all DSG blocks	10,526	15,905	14,114	13,445	15,486	19,258
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6. Legal Implications

6.1 There are no legal implications for this report.

7 Equality Implications

7.1 The key groups affected by the proposals are children and young people with special educational needs and disability (SEND) aged 0-25 in Brent. The Council is committed to inclusive education for all children and young people with SEND in our mainstream schools, enhanced resource schools and special schools.

7.2 The DSG HNB Deficit Management Plan has been developed in order to improve outcomes for children and young people and achieve financial sustainability. The proposals support the needs of children and young people with SEND to be met earlier through evidence based interventions and aim to reduce our reliance on high cost placements in the non-maintained and independent sector, by ensuring that children with SEND can get a good education at a school close to their home.

7.3 The proposals in this report have been subject to screening and officers believe that there are no equality implications.

8. Consultation with Ward Members and Stakeholders

8.1 Consultation has been undertaken with parents and carers, schools and settings and health providers. This consultation will continue through the piloting of the Graduated Approach Framework and SEN Support Fund during the 2021/22 academic year. An equality analysis will be undertaken as part of the review process of both the Graduated Approach Framework and SEN Support Fund.

9 Human Resources/Property Implications (if appropriate)

9.1 Not applicable.

Related Documents – Prior Finance Reports to Schools Forum

Report sign off:

Gail Tolley

Strategic Director of Children and Young People