

Date of meeting:	Thursday 15 March 2018
Title of report:	The High Needs Block 2018-19
Type of report: Delete as required	For consultation
Executive summary: Including reason for submission	This report summarises the expected budget for the High Needs Block in 2018-19 and has some recommendations regarding changes to the High Needs Block. It also highlights the significant financial pressure anticipated in 2018-19.
Budget / Risk implications:	Funding pressures are set out in this report as are recommendations on how to deal with these
Recommendations:	That the North Yorkshire Education Partnership endorses the proposals.
Voting requirements:	None
Appendices: To be attached	None
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1.0 PURPOSE OF THE REPORT

- 1.1 This report summarises the expected budget for the High Needs Block in 2018-19 and outlines the extent of the anticipated financial pressure. It also provides a summary of a number of proposed changes to the budget which are outlined in other papers presented to the Partnership elsewhere on the agenda.

2.0 HIGH NEEDS BLOCK BUDGETS

- 2.1 The overall High Needs Block allocation available is £44.883m. This is a net cash increase from the 2017-18 budgeted allocation of £292k.
- 2.2 In December, the Partnership agreed:
- That a sub-group be established to look at all options in relation to High Needs Block in detail reporting back to the Partnership with its recommendations.
 - That the proposal to transfer a top slice of £1.66m (0.5%) into the High Needs Block from the Schools Block for 2018/19 be endorsed by the Partnership.
 - That the Partnership's serious concern on the lack of additional funding for the High Needs Block be noted and relayed as part of national lobbying.
- 2.3 Following the transfer of 0.5% of the Schools Block allocation to the High Needs Block - this amounts to £1.66m - the total High Needs Block for 2018-19 will be £46.543m. It should be noted that the transfer of £1.66m has been agreed for one year only.
- 2.4 Membership of the High Needs Funding Sub-group has been confirmed and terms of reference agreed at the first meeting in January 2018. The second meeting was due to take place on 28th February 2018 but was cancelled due to severe weather and driving conditions. Written feedback on draft papers was requested and some feedback received.
- 2.5 The areas of focus reported to NYEP in December included:
- PRS funding arrangements
 - Special School funding including E3 top-up funding
 - Mainstream SEN funding
 - Independent and Non-maintained placements
 - Early Years SEN funding
 - Inclusive Education Support Services
- 2.6 In addition, other areas have also been taken forward and are included in the summary presented today and include:
- Notice period funding (part of mainstream, special school and PRS funding)
 - Notional SEN and Exceptional E2 Funding (part of Mainstream SEN funding)
 - Non-statutory and Exceptional E3 Funding
 - Post-16 FE Colleges E3 Top-up Funding
 - Residential Funding (part of Special School E3 Top-up Funding)

3.0 WORK UNDERTAKEN SINCE JANUARY AND ITEMS FOR FURTHER CONSIDERATION

Financial Pressures

- 3.1 The report in December noted a number of significant pressures in the High Needs Block with a projected outturn of £3.4m but with some expectation that this could potentially rise as demand increased faster than expected. The latest projection of 2018-19 spend against the 2017-18 budget is an overspend position of £6.172m; with the net budgeted increase of £292k and transfer of £1.66m from the Schools Block, the projected overspend reduces to £4.220m.

Planned Savings

- 3.2 A number of planned savings have been built into the 2018-19 budget based on work undertaken during 2017-18. These include:
NWD SEMH Extension (£422k)
Specialist Careers Advisors (£105k)
Inclusive Education (£394k)

In total, these proposals reduce the expected budget requirement by £921k.

Savings Papers Included in March Agenda

A number of savings proposals are outlined in other papers on the agenda. A summary of the proposals are outlined below:

- 3.3 **Early Years E2 and E3 Funding** - for Element 2 Funding, the proposal is to move to one level of funding for Element 2 at a maximum of £6,000 for 30 hours (prorated to the hours of attendance). This is the same amount schools need to find from their delegated budget for Element 2. Settings would not be required to continue to complete a CAN-Do, but would still be required to provide evidence of SEND. For Element 3, short-term additional support can be provided without the need to go through the statutory assessment process. This will be funding on top of the proposed maximum of £6,000 Element 2 funding (for 30 hours). This will require an E3 support claim form to be completed and will follow the same criteria and process as the "Allocation of E3 resources: non-statutory and exceptional funding" guidance document. For Element 3 Funding relating to EHCPs, the proposal is to continue to fund the Element 3 Top-up based on the completion of the CAN-Do. Children with an EHCP at an Early Years setting will still receive the Element 2 as described above, and the Element 3 Top-up funding would be additional funding to this. Proposals are to be introduced for April 2018 with transitional arrangements for any existing children already in EY settings. The proposal is expected to reduce the budget requirement by £80k.
- 3.4 **Notice-Period Funding** – the proposal is to cease the funding of one month's notice for in-year leavers generating an annual saving of £51.5k from April 2018.
- 3.5 **Notional SEN and E2 Exceptional Funding Support** – the proposal is to provide some transitional support in the Summer Term 2018 pending a wider review of E2 Exceptional E2 Funding Support. In the meantime, it is proposed to reduce the contingency by 40% which would realise a reduction in the budget requirement of £386k.

- 3.6 **Non-statutory E3 and Exception Funding** – detailed proposals are outlined that introducing a pilot system of providing short-term funding support to schools in specific circumstances. The pilot is expected to run for one academic year from September 2018 and a projected budget requirement of £200k is proposed.
- 3.7 **Post-16 FE Colleges E3 Top-up Funding** – proposals are outlined that NYCC trials an application process as an alternative to the CAN-Do for Post-16 FE colleges. The proposal is for this alternative method to run in parallel to the Can-Do Resource Allocation System which will continue to be the determinant of Element 3 funding.
- 3.8 **PRS Funding** – proposals are outlined to increase the number of commissioned places to 126 from September 2018 (FTE financial year places =110). This provides increased certainty through place funding and with a planned reduction of £250k, the ‘discretionary’ funding to be allocated to the PRS and AP providers will be £2,837k.
- 3.9 **Residential Funding** – proposals to reduce the residential and extended day unit rates of funding realising a budget requirement reduction of £253k.
- 3.10 In total, additional net savings of £820.5k are planned for 2018-19.
- 3.11 Taking the planned savings together with the proposed savings, the budget requirement is reduced from £4.22m by £1.742m to £2.478m. The planned, phased reduction in the contribution to the School Improvement Partnerships and reduction in general contingencies also contributes a further £0.196m. **Overall, there is a shortfall in funding against the 2018-19 budget requirement of £2.282m. Without the temporary transfer of £1.66m, the underlying budget pressure in 2018-19 would be £3.942m. Trend information suggests that this financial pressure will continue to increase in 2019-20 and beyond. With depleted DSG reserves, this represents a significant financial pressure to the High Needs Block. This position is not sustainable and it is essential that further proposals are brought forward later this year to reduce the financial pressure in-year and secure a medium-term financially sustainable position.**

4.0 SPECIAL SCHOOLS

- 4.1 Funding for complex medical needs had been a feature of the E3 Top-up funding arrangements in 2016-17 and transitional protection was provided for the Summer Term 2017. Additional transitional protection was provided for three special schools most affected by this change for the period September 2017 - March 2018 but from April 2018, this funding allocation will no longer be provided. In very exceptional circumstances, there may be a case for additional medical needs funding. This should be made through an application process that will be moderated and agreed at panel. The funding for schools will also form part of the Minimum Funding Guarantee calculation.
- 4.2 North Yorkshire have previously operated a Minimum Funding Guarantee for special schools that has “locked in” previous year MFG calculations. This took into account the local authority’s own funding guarantee before the national version was introduced. This has, perhaps, been more generous than the national scheme and has helped our schools through challenging financial times. Having reviewed the High Needs Operational Guidance, the intention is to amend the North Yorkshire MFG to only take into account the difference between years but without “locking in”

the historic MFG rate. Special school budget statements will be prepared on the basis of the amended MFG calculation and confirmation has been sought from ESFA that this more accurately reflects the guidance. For 2018-19, this actually means that the total MFG amount will be £641k under the revised calculation compared with £663k under the 'historic' method. However, the amount of MFG is expected to fall in subsequent years and will help prevent the budget shortfall from increasing.

5.0 PUPIL REFERRAL SERVICE

5.1 As per section 3.8, the number of places allocated to individual establishments will increase from September 2018 to 126 (110 FTE in the financial year). As in previous years, there has been some pressure in this budget where the number of statutory places has exceeded the number of commissioned places. Contingency funding will continue to be provided for those PRUs that have exceeded their commissioned places.

6.0 PROPOSED HIGH NEEDS BUDGET 2018-19

6.1 The table below shows the expected budget for the High Needs Block, clearly showing the areas of pressure and where some efficiencies can be made to accommodate these within existing resources.

HN Budgets 2017-18 and 2018-19 (£000s)	2017-18	2018-19	Change
High Needs Commissioning Budgets	30,759	35,823	5,064
Alternative Provision	5,461	5,194	-267
Education Psychology	322	322	-
EMS	3,435	3,315	-120
SEN Support and Outreach	3,291	3,018	-273
Higher Education for LAC	47	47	-
Virtual School	486	486	-
School Improvement	80	80	-
School Improvement Partnerships	444	340	(104)
Prevention	7	7	-
AD - Inclusion	21	21	-
AD - Children and Families	67	67	-
Financial Support	56	56	-
General Contingency	61	-	-61
Grounds Contingency	4	-	-4
DSG Overheads	50	50	-
Budget Shortfall	-	(2,283)	(2,283)
	44,590	46,543	+1,953

6.2 The table also highlights that there is a budget shortfall of £2.283m in 2018-19. As indicated at 3.11, further proposals will need to be brought forward to identify and implement proposals aimed at fully addressing the shortfall in-year.

7.0 FURTHER WORK DURING 2018

- 7.1 The delivery of some of the proposals outlined in section 3 will require further work to ensure that they are practical, effectively communicated to key stakeholders, tracked and monitored as part of the High Needs Budget monitoring arrangements. However, as can be seen in section 6.0, it is anticipated that there will continue to be significant financial pressure within the wider system. The £1.66m transfer from the Schools Block is only a temporary allocation and will require school leaders and stakeholders in the High Needs system to continue to work collaboratively to address these issues.
- 7.2 The work programme of the High Needs Funding Sub-Group will, therefore, focus on:
- embedding the proposals outlined in section 3 where further detail on processes is required;
 - review the CAN-Do Resource Allocation System (RAS) for all age groups;
 - work-up proposals for Exceptional E2 Funding Support from September 2018;
 - fundamental review and reform of PRS funding and accountability arrangements;
 - continue with contractual review of high cost external placements;
 - review Enhanced Mainstream Provision funding arrangements;
 - take-forward funding implications from the implementation of the SEND Strategic Plan;
 - progress the development of SEND Hubs and structure changes in Inclusion;
 - developing a medium-term financial strategy to address future demand issues.

8.0 Recommendations

- 8.1 The Partnership is asked to note the contents of this report and endorse the proposals outlined in paragraphs 3.2 through to 3.10.
- 8.2 The Partnership is asked to note the significant financial pressure and budget shortfall outlined in 3.11 and note that further proposals will need to be brought forward to address the in-year budget shortfall and medium-term financial position.
- 8.3 The Partnership is asked to note the cessation of the complex medical needs funding and amendment of the MFG calculation outlined in section 4.0

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