



NORTH YORKSHIRE SCHOOLS FORUM

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| Date of meeting: | Thursday, 14 March 2024 |
| Title of report: | High Needs Block 2024-25 |
| Type of report: Delete as required | For decision / discussion / information only |
| Executive summary: Including reason for submission | The report outlines the expected budget for the High Needs Block in 2024-25, how this compares to an anticipated in-year cash allocation of £82.15m, and the extent of the anticipated financial pressure. |
| Budget / Risk implications: | There is a projected accumulated deficit as at 31 st March 2024 of c.£13.6m and a projected in-year deficit in 2024-25 of c.£5.9m which would result in an accumulated deficit as at 31 st March 2025 of £19.5m |
| Recommendations: | Schools Forum are asked to note the contents of the report. |
| Voting requirements: | None |
| Appendices: To be attached | None |
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| Presenting officer: If not the originator | |

1.0 PURPOSE OF THE REPORT

- 1.1 This paper outlines the high-level High Needs Block funding position, the anticipated expenditure and projected in-year deficit position. The outline includes information on the current and projected accumulated deficit position. The paper also refers to decisions made by Executive on 9 January 2024 in relation to Special School budgets and E3 top-up banding payments as well as mitigating actions that the local authority is exploring in order to reduce the unfunded financial pressure.

2.0 HIGH NEEDS BLOCK FUNDING

- 2.1 The anticipated overall High Needs Block allocation available for North Yorkshire in 2024-25 is £82.150m. This allocation is inclusive of the additional funding announced in the Government Autumn 2022 Spending Review to support increased financial pressures within High Needs, which has now been incorporated into the baseline funding allocation for 2024-25. This figure is reduced by the Education and Skills Funding Agency (ESFA) in relation to funding provided directly to academies and for some post-16 provision. It also includes an anticipated import/export adjustment (adjustments made to reflect cross-border movement of pupils living in one local authority who attend provision in another; adjustments for 2024/25 will be finalised by the DfE in early Summer 2024). The total deductions amount to an estimated £7.403m resulting in a net funding allocation to the local authority of £74.747m. This provides an estimated overall cash increase of £3.281m compared to the adjusted baseline figure for 2023/24. Our assessment is that, following the incorporation of ESFA deductions (for those areas of activity where they have direct funding responsibility), the allocation represents a +4.6% increase in funding compared to the 2023-24 baseline allocation. The final High Needs Block figure will not be known until June 2024 following confirmation of the import/export adjustment. **Table 1** summarises the anticipated funding position.

Table 1: HNB Funding Position

| | 2023-24 | 2024-25 | Variance |
|--------------------------------------|---------------|---------------|--------------|
| | £m | £m | £m |
| High Needs Block allocation | 77.859 | 82.150** | 4.291 |
| ESFA Deductions | (6.393) | (7.403)* | (1.010) |
| North Yorkshire LA allocation | 71.466 | 74.747 | 3.281 |

* These figures are the LA's latest prediction as at 27/02/202

** Latest High Needs DSG funding position provided by DfE

- 2.2 Changes in government regulations since January 2020 prohibit the local authority from using its general resources to fund any overspend in the High Needs Block (and any other DSG blocks). However, the local authority has chosen to set aside a provision to mirror any projected in-year High Needs Block deficits in order to adhere

to its sound and prudent financial management principles. This provision will continue to be held in place until such a time that the overall cumulative High Needs Budget deficit has been fully recovered.

- 2.3 The level of increase in the national funding quantum is insufficient to enable local authorities to respond to the combination of pay and price inflation and increased demand for support. Inequities in the distribution of resources between local authorities need to be addressed. An assessment of this scenario has been developed into a “fact sheet” that was distributed to school leaders and Governors in January 2024. Some of the key issues highlighted in that document are:

- The way that the Department for Education determine how much each local authority receives depends on a number of factors, including:
 - Historic spend factor – this bears no resemblance to the needs of today and means local authorities with similar SEND responsibilities can receive different funding levels
 - Deprivation factors – which do not mirror demand in North Yorkshire
- North Yorkshire’s High Needs funding is ranked 142 out of 151 local authorities (per head of population aged 2-18)
- To put this into context, North Yorkshire gets £644 per pupil; the top-funded local authority gets £1,154 per pupil

3.0 HIGH NEEDS BUDGETS

- 3.1 The proposed budget for High Needs has been prepared building in provisional estimates for increased numbers of children and young people assessed as requiring Education, Health and Care Plans. This reflects recent trends, known planned movements and best estimates of future demand. The proposed High Needs Budget for 2024-25 is outlined in **Table 2** below:

Table 2: High Needs Budget

| | 2024-25 |
|---------------------------------------|----------------|
| | £k |
| High Needs Commissioning | 75,024 |
| Alternative Provision | 1,842 |
| Inclusion | 1,781 |
| Hubs & SEN Provision | 3,709 |
| Financial Support | 54 |
| DSG Overheads | 420 |
| Estimated Spending | 82,830 |
| Estimated Funding | 74,748 |
| School’s Block Transfer (0.5%) | 2,183 |
| Estimated In-year Deficit | 5,899 |

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|--|---------------|
| Projected In-year Deficit | 5,899 |
| Projected Accumulated Deficit B/f | 13,644 |
| Projected Accumulated Deficit C/f | 19,543 |

- 3.2 In total, anticipated expenditure in 2024-25 amounts to £82.8m with a provisional projected shortfall of £5.9m. It should be noted that c.90% of anticipated spend is within High Needs Commissioning. This principally funds special school commissioned places and top-up funding, mainstream Element 3 top-up funding, independent and non-maintained special school commissioned places and special provision institution (SPI) commissioned places. The figures included in section 3.1 reflect the latest estimates and will be closely monitored throughout the year.
- 3.3 For financial planning purposes, the 2024-25 High Needs Commissioning budget supports approximately 5,100 FTE children and young people assessed as requiring Education, Health and Care Plans (EHCPs). In reality, the number of children currently supported is in excess of this. The financial planning assumptions indicate that there will be an increase of approximately 545 children and young people financially supported through EHCPs in 2024-25 in different types of provision. This represents an expected increase in demand of 12% in the next year alone.
- 3.4 The High Needs Commissioning Budget of £75,024k represents the single largest area of spending; most of the financial pressure in the last three years has been in this area. The budget, outlined in **Table 3**, comprises:

Table 3: High Needs Commissioning Budget 2024-25

| | £k | % |
|---|---------------|------------|
| North Yorkshire Special Schools | 24,823 | 33.1 |
| Independent and Non-maintained Special Schools | 16,145 | 21.5 |
| North Yorkshire Mainstream School E3 Top-up Funding | 12,255 | 16.3 |
| Other Local Authority provision | 3,408 | 4.5 |
| PRU's | 3,320 | 4.4 |
| Pooled Budget | 3,160 | 4.2 |
| Special Provision Institutions | 2,777 | 3.7 |
| FE Colleges | 2,416 | 3.2 |
| Personalised Learning Pathways | 2,143 | 2.9 |
| Targeted Mainstream Provision | 1,336 | 1.8 |
| Early Years | 1,263 | 1.7 |
| Education Other Than at School (EOTAS) | 941 | 1.3 |
| Independent Learning Providers (ILP's) | 812 | 1.1 |
| Other | 225 | 0.3 |
| Total | 75,024 | 100 |

- 3.5 49.4% of the High Needs Commissioning is spent directly with schools and academies in North Yorkshire, with 33.1% targeted at supporting the ten special schools in North Yorkshire to develop and deliver provision to meet the needs of children and young people locally. However, £16,145k is spent on approximately 250

places in independent and non-maintained special schools. This represents over 20% of the High Needs Commissioning Budget and represents an increase in absolute cost and an increase in overall share of the total spend compared with 2023-24. This continues to represent a high per pupil cost to the overall budget.

- 3.6 The budget shown in **Table 2** and **Table 3** contains a number of initiatives which have been developed through the SEN Programme Board and the Delivering Better Value in SEND programme (discussed in **section 6** below). **Table 4** details the mitigating actions identified for 2024-25; a total of £3.8m of financial mitigations have been factored into the budget presented in **Table 1**, the additional £1m are being considered in addition to the budget projections presented.

Table 4: High Needs Programme Board and Delivery Better Value in SEND programme financial mitigations

| Description | 2024-25 £k |
|--|---------------|
| Transfer of 0.5% Schools Block funding to High Needs Block for 2024-25 | 2,180 |
| E3 Banding increases at 1.9% | 500 |
| Targeted Mainstream Provision | 117 |
| SEN Inclusion Fund within the Early Years Block | 1,050 |
| Total confirmed in Budget | 3,847 |
| Additional "stretch" mitigations (see section 6.5) | 1,067 |
| TOTAL POTENTIAL SAVINGS | 4,914 |

- 3.7 The in-year projected deficit of £5,899k outlined at section 3.1 is, therefore, potentially reduced by 'stretch' mitigations of up to £1,067k. If confirmed, this would reduce the in-year deficit to £4,832k.

4.0 SPECIAL SCHOOLS

- 4.1 The Special schools funding formula for 2024-25 was agreed by Executive on 9 January 2024, taking into account the following specific aspects of the budget allocations:
- The specific operation of the Minimum Funding Guarantee (MFG) for special schools;
 - The requirements placed on local authorities by the DfE for the allocation of the additional High Needs funding in 2023/24;
 - The inflationary uplift factors applied to banding allocations (for top-up funding) and contextual funding
- 4.2 The Minimum Funding Guarantee (MFG) is a protection for special schools against seeing a reduction in funding from year to year assuming that the number and type of places remain the same. The authority has determined that this rate should be set at +0.5% for Special schools for the 2024-25 financial year.

Table 5: Element 3 Banding Allocations

| | Funding Rates 2023-24 | Funding Rates 2024-25 |
|----------|-----------------------|-----------------------|
| Band 3 | £0 | £0 |
| Band 4 | £1,810 | £1,850 |
| Band 5 | £3,990 | £4,070 |
| Band 6 | £5,770 | £5,880 |
| Band 7 | £8,820 | £ 8,990 |
| Band 8 | £10,530 | £ 10,740 |
| Band 9 | £14,620 | £ 14,900 |
| Band 10* | £20,000* | £20,000* |

*actual allocations dependent on Placement Resource Panel evaluation

- 4.3 The Executive confirmed approval for Banded Funding allocations to increase at a rate of +1.9% for the 2024-25 financial year. As has been the case in previous years, the same rate of increase will also be applied to Element 3 allocations for pupil referral units and alternative provision settings.
- 4.4 Executive approval was also provided to increase the factor elements within the Special Schools Contextual Funding by +1.9% for the 2024-25 financial year, as well as the applying that rate of increase to residential placements in Special schools
- 4.5 Special school funding statements have been prepared and shared with North Yorkshire special schools reflecting the above decisions, alongside accompanying guidance on how the formula allocations have been determined and incorporating the assessment of the commissioned places for the 2024-25 academic year.
- 4.6 The Special School budget for 2024-25 is based upon a combination of 1,203 commissioned places for the 2023/24 academic year and 1,289 commissioned places for the 2024/25 academic year. However, as has been well rehearsed within the SEN Capital programme, there is an acute need to enhance capacity, both in terms of the overall level of capacity in the sector and meeting specific gaps in the existing range of provisions. Furthermore, the development of significant additional capacity (through the development of the two free schools in Selby and Northallerton, the development of a new Secondary Autism provision in Harrogate, and the significant expansion of Springwater Special school) are a cornerstone of our High Needs programme as we are forecasting that we will be able to support a significant number of young people in our specialist provisions who would otherwise need support through an independent sector placement.

5.0 PUPIL REFERRAL SERVICE

- 5.1 The Pupil Referral Service / Alternative Provision budget for 2024-25 has been constructed on the basis that planned commissioned places at all settings will be at the same level of local authority commissioned places in the 2024-25 academic year as in the 2023-24 academic year (i.e. 168 places). Top-up funding allocations (Element 3 funding) and preventative place funding allocations will be increased in line with the inflationary uplift described in **section 4** above.
- 5.2 The Local Authority has maintained the number of preventative places for the 2024/25 academic year at the same level as in the 2023/24 academic year. The uptake of these preventative places does vary between establishments and whilst some establishments have made significant positive progress in increasing the number of young people through this route, that position is not universal. Therefore, the Inclusion Team will be undertaking a review of the position during the summer term to inform the commissioning of these places for the 2025/26 academic year.
- 5.3 One area which is currently being reviewed for the financial year 2024-25 relates to the introduction of revised funding responsibilities for pupils unable to attend schools because of medical needs from April 2024. The new guidance from the DfE, issued in December 2023, outlined the scope for local authorities to discuss with host schools a potential contribution from the host school. The local authority has considered this to mean either AWPU funding or AWPU plus some other direct funding elements within the national funding formula. Consideration is underway to assess whether the local authority will seek to recover funding from schools where pupils are referred into the Medical Education Service during the 2024-25 financial year (in line with the principle that funding should follow the child).
- 5.4 This issue was discussed at the High Needs Funding sub-group in February 2024. The group provided appropriate challenge as to how the DfE guidance should be implemented and the local authority has reflected on those challenges:
- Any arrangements should be simple and easy for schools to follow;
 - Concern that funding adjustments should be predictable and that, if possible, there should not be in-year adjustments (as schools have already formulated their budget plans for the financial year in question);
 - Concern that there are specific and significant resource implications for schools associated with supporting young people being supported by AV
- 5.5 Consequently, if revised arrangements are introduced, the local authority is minded that:
- New arrangements would be introduced with appropriate communications in advance to schools (potentially from 1 June 2024) – but would only apply to new referrals to the medical education service after the planned implementation date;
 - Funding recovery would be applicable from Day 1 of the Medical Education Service providing support to the young person;

- Where young people are being supported through the deployment of an AV1 (robot), there are resource implications for the school in overseeing how that young person interacts with the curriculum. Therefore, the local authority would be minded to operate a discount on the level of AWPU recovery in these circumstances – and because of the positive opportunity that the AV1 devices represent, that discount rate would be set at 100%.

6.0 NEXT STEPS – DEFICIT MANAGEMENT PLAN, DELIVERING BETTER VALUE AND HIGH NEEDS BUDGET IMPROVEMENT PLAN

- 6.1 The overall financial position on the High Needs budget is such that the local authority needs to continue to work to identify potential efficiency improvements and opportunities to support young people more cost effectively, which will complement the initiatives already in place within the SEND Strategic Plan.
- 6.2 During the course of the second half of 2023, the local authority has worked intensively with the Delivering Better Value in SEND programme, sponsored by the Department for Education. Regular updates have been shared with both the North Yorkshire Schools Forum and the Forum's High Needs Sub-group – and the process has resulted in:
- the development of the 'Developing Inclusive Communities' workstream to the High Needs Improvement programme, and;
 - the Delivering Better Value in SEND grant application (currently awaiting feedback on whether this application has been approved by the DfE)
- 6.3 As part of the Delivering Better Value grant application, local authority officers have worked intensively upon updating the local authority High Needs Budget Deficit Management Plan. Analysis indicates that without any mitigating actions, the demand and cost pressures on the High Needs Block would result in an accumulated deficit of c.£96 million by the end of the 2027-28 financial year. With a range of mitigating actions, including the anticipated outcomes from the Delivering Better Value workstreams, the assured mitigations of our approved SEN Capital programme and accelerated expansion of the TMP programme, and the further initiatives within the high needs improvement programme, it is currently estimated that the accumulated financial deficit could be reduced by £51 million - reducing the anticipated accumulated deficit to c.£45 million by the end of the 2027-28 financial year. The above analysis has been predicated upon the assumption that High Needs DSG will only increase by 3% per annum – in line with the current DfE published policy position and that North Yorkshire will see no financial benefit from any redistribution within the high needs national funding formula for local authorities.
- 6.4 Work will continue to refine the local authority Deficit Management Plan. In addition, work will continue on the four key workstreams within the High Needs Improvement programme, and that work will inform the updated version of the Deficit Management Plan.
- Workstream 1: Funding Issues
 - Workstream 2: Delivering Inclusive Communities
 - Workstream 3: Provision related issues
 - Workstream 4: SEN Casework

- 6.5 As discussed in **section 3**, the budget forecast includes potential additional financial mitigations in 2024-25 of circa £1.1m from other initiatives across the workstreams. Amongst the areas under consideration are the precise impact in 2024-25 of the Delivering Better Value in SEND workstreams and the potential to reduce expenditure on independent sector placements through the reintegration of young people into specialist or mainstream school places.
- 6.6 Throughout the Delivering Better Value in SEND programme, the local authority has sought to evidence how it is committed to working collaboratively with partners, school leaders, parents and carers to both identify and research any opportunities to utilise available resources and assets more effectively. The evidence-gathering and review of practice within the DBV in SEND process was considerably enhanced by the commitment and input from the North Yorkshire school community and partners across the High Needs system. The local authority will continue to reach out to network groups and work closely with the Schools Forum and the Forum's High Needs Sub-Group.
- 7.0 RECOMMENDATIONS
- 7.1 Schools Forum are asked:
- (i) to note the contents of this report;
 - (ii) to note the financial position.

STUART CARLTON

Corporate Director – Children and Young People's Service