



NORTH YORKSHIRE SCHOOLS FORUM

Date of meeting:	Thursday, 18 March 2021
Title of report:	High Needs Block 2021-22
Type of report: Delete as required	For information only
Executive summary: Including reason for submission	The report outlines the expected budget for the High Needs Block in 2021-22, how this compares to an anticipated in-year cash allocation of £56.9m and the extent of the anticipated financial pressure.
Budget / Risk implications:	There is a projected accumulated deficit as at 31 st March 2021 of £8.6m and a projected in-year deficit in 2021-22 of c.£2.5m which would result in an accumulated deficit as at 31 st March 2022 of £11.1m.
Recommendations:	Schools Forum are asked to note the contents of the report.
Voting requirements:	None
Appendices: To be attached	None
Report originator and contact details:	Howard Emmett, Assistant Director – Strategic Resources (howard.emmett@northyorks.gov.uk)
Presenting officer: If not the originator	

1.0 PURPOSE OF THE REPORT

- 1.1 This report summarises the expected budget for the High Needs Block in 2021-22 and outlines the extent of the anticipated financial pressure. It also provides a summary of a number of proposed changes to the budget.

2.0 HIGH NEEDS BLOCK FUNDING

- 2.1 The anticipated overall High Needs Block allocation available for North Yorkshire in 2021-22 is £63.3m. 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 (which for the purposes of this paper remains based on January 2020 census and February R06 ILR pending further updates from DfE). The deductions amount to £6.4m resulting in a net funding allocation to the local authority of £56.9m. This compares to a final cash allocation for 2020-21 of £50.8m – an increase of £6.1m. However, this increase includes the impact of the mainstreaming of Teacher’s Pay Grant (TPG) and Teacher’s Pension Employer Contribution Grant (TPECG) which amounted to £889k. The like-for-like increase is, therefore, £5.2m. The final High Needs Block figure will not be known until June 2021 following confirmation of the import/export adjustment. Table 1 summarises the anticipated funding position.

Table 1: HNB Funding Position

	2020-21	2021-22	Variance
	£m	£m	£m
HNB allocation*	56.677	63.346	6.669
Import/ export adjustment	(1.728)	(1.728)	-
ESFA deductions	(4.144)	(4.725)**	(581)
North Yorkshire LA allocation	50.805	56.893	6.088

*Note 2021-22 Allocation includes mainstreaming of the TPG, TPECG and Supplementary Fund

** Figure of £4,308k as published by DfE and an additional LA estimate of £417k

- 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 2021-22 High Needs Block deficit 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 HNB deficit has been fully recovered.

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 2021-22 is outlined in Table 2 below:

Table 2: High Needs Budget

Budget Line	2021-22
	£k
High Needs Commissioning	53,068
Alternative Provision	1,637
Inclusion	1,149
Hubs & SEN Provision	2,384
AD - Inclusion	197
Financial Support	54
DSG Overheads	420
Provision for additional demand	483
Estimated Spending	59,393
Estimated Funding	56,893
Estimated In-year Deficit	2,500
	-
Projected In-year Deficit	2,500
Projected Accumulated Deficit B/f	8,571
Projected Accumulated Deficit C/f	11,071

- 3.2 In total, anticipated expenditure in 2021/22 amounts to £59.4m with a provisional projected shortfall of £2.5m. This includes provision for additional demand arising from the return to school following the third national lockdown and disrupted education during the covid-19 pandemic. It should be noted that c.89% of anticipated spend is within High Needs Commissioning. This principally funds special school commissioned places and top-up funding, mainstream E3 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 2021-22 High Needs Commissioning budget supports approximately 3,585 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 330 children and young people financially supported through EHCPs in 2021-22 in different types of provision. This represents an expected increase in demand of 9% in the next year alone.
- 3.4 The High Needs Commissioning Budget of £53,068k represents the single largest area of spending; most of the financial pressure in the last three years has been in this area. The budget comprises:

Table 3: High Needs Commissioning Budget 2021-22

Budget Line	£k	%
North Yorkshire Special Schools	20,764	39.1
North Yorkshire Mainstream School E3 Top-up Funding	7,755	14.6
Independent and Non-maintained Special Schools	8,929	16.8

Special Provision Institutions	2,609	4.9
Other Local Authority provision	2,252	4.2
Pooled Budget	1,942	3.7
FE Colleges	1,491	2.8
Personalised Learning Pathways	1,453	2.7
ILP's	792	1.5
Early Years	901	1.7
Targeted Mainstream Provision	1,310	2.5
PRU's	2,646	5.0
Other	225	0.4
Total	53,068	100

- 3.5 53.7% of the High Needs Commissioning is spent directly with schools and academies in North Yorkshire with nearly two-fifths targeted at supporting the ten special schools in North Yorkshire develop and deliver provision to meet the needs of children and young people locally. However, nearly £8,929k is spent on approximately 183 places in independent and non-maintained special schools. This represents nearly 17% 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 2020-21. This continues to represent a high per pupil cost to the overall budget.

4.0 SPECIAL SCHOOLS

- 4.1 The Special schools funding formula for 2021-22 has been agreed by Executive on 16 February 2021, taking into account review activity into three specific aspects of the budget allocations :-

- The inflationary uplift factors applied to banding allocations (for top-up funding);
- The specific operation of the Minimum Funding Guarantee in the Special school sector (taking into account that the local authority determined a rate of +4% in 2020-21 to provide additional protection to the sector);
- A review of the Contextual funding arrangements, which were acknowledged to have reached a stage where it was challenging to evidence that the allocations to individual schools were appropriate reflections of their specific circumstances and relative level of need;

- 4.2 The position adopted for 2021-22 has been informed by a consultation exercise undertaken with the Special school sector during the course of November and December, which specifically considered the setting of the MFG rate for 2021-22 and a proposal to reform the contextual funding element of the formula. The response rate was very positive with eight out of the ten schools responding, with all schools being offered the opportunity for individual meetings to discuss the implications for their setting. The outcomes of the consultation exercise were reported to the January meeting of the Schools Forum, which was broadly supportive of the local authority's proposals to set the MFG at 0% for the sector for the 2021-22 financial year and to proceed with the reform of the contextual funding element. These proposals were subsequently endorsed by the County Council Executive on 16 February, 2021.

- 4.3 Firstly, it was determined that the Banded funding allocations (Element 3 funding in the DfE terminology) would increase in line with an assumed rate of inflation of +2%, which is the same percentage uplift in baseline pupil-led funding for mainstream schools in

2021-22 (as per Schools block national funding formula: technical note July 2020). Since the banded funding allocation is reflecting costs incurred beyond the Element 2 funding allocation of £6,000, (and because this figure has been held constant for many years by the DfE), the allocations for each banding will actually increase by greater than 2% with the highest percentage increases applying to the lower banding allocations. These rates will apply across all settings in receipt of top-up funding.

- 4.4 The Minimum Funding Guarantee for Special schools has been set at 0%, taking into account the significant pressure on the high needs budget and the previous years' position of providing an MFG rate significantly in excess of the rate of inflation.
- 4.5 The Contextual funding allocation will be modified for 2021-22, so that it operates with a combination of a lump sum factor, per pupil allocation and a floor area factor (to reflect the differential pressure of premises costs between schools). In addition, there will be components to recognise split site operations and the costs associated with operating hydrotherapy pools.
- 4.6 Indicative special school funding statements have been prepared and shared with North Yorkshire special schools on the basis of the adoption of the proposals above, alongside accompanying guidance on how the formula allocations have been determined, and incorporating the assessment of the commissioned places for the 2021-22 academic year. Final Special school funding statements will be issued by 12 March 2021.

5.0 PUPIL REFERRAL SERVICE

- 5.1 The Pupil Referral Service / Alternative Provision budget for 2021-22 has been constructed on the basis that planned commissioned places at all settings will be at the same level in the 2021-22 academic year as in the 2020-21 academic year (i.e. 162 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. We will continue to support individual establishments in ensuring that a robust three year budget plans exist for each establishment.

6.0 FURTHER WORK DURING 2021

- 6.1 Over the last few years it has not been possible to meet our statutory obligations and contain the financial pressures within the funding allocation provided by Department for Education. The local authority's view is that funding from the Department for Education has not kept pace with the rise in demand as a result of legislative reform introduced by the DfE in 2015. Whilst we continue to lobby for a fairer funding deal for North Yorkshire, the local authority continues to progress the Strategic Plan for SEND (0-25) to reshape provision and deliver value for money. Further work is necessary and the work programme will, therefore, focus on:

- Development of a free special school in Selby;
- Close working with Special Schools and PRS/AP settings in ensuring high quality, financially sustainable provision;
- Embedding locality boards across the county to facilitate discussion of local SEND issues and solutions;
- Establishing a Contracts Board to provide focus on the contractual review of key suppliers providing high cost external placements;

- Implementation of phase 1 and developing phase 2 of the targeted mainstream provision;
- Post-implementation review of the locality-based SEND hubs and traded offer;
- Post-implementation of medical tuition models;
- Implementation of a revised contextual funding component to the special school funding formula for 2021-22;
- Review of opportunities for capital development to reshape provision across the county to meet need locally where possible, including use of the Special Provision Capital Fund and the ringfenced component of the School Condition Funding;
- other reviews and developments consistent with the Strategic Plan for SEND.

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

Report Prepared by Howard Emmett, Assistant Director, Strategic Resources