



## NORTH YORKSHIRE SCHOOLS FORUM

<b>Date of meeting:</b>	Thursday, 22 September,2022
<b>Title of report:</b>	<b>High Needs Budget Update</b>
<b>Type of report:</b> Delete as required	For discussion/ information
<b>Executive summary:</b> Including reason for submission	This report provides an update on issues pertinent to the development of the High Needs Block budget for the local authority 2023-24, including the determination of Special school budgets
<b>Budget / Risk implications:</b>	
<b>Recommendations:</b>	The Schools Forum is invited to note the information contained within this report, and identify any issues for further discussion within the High Needs Sub Group.
<b>Voting requirements:</b>	None
<b>Appendices:</b> To be attached	Appendix 1 :- Questions and Answers regarding DBV process
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## **1.0 PURPOSE OF THE REPORT**

- 1.1 This report is intended to provide an update on the timescale via which the High Needs Budget will be determined for the 2023-24 financial year, and alongside that the timescales for the determination of high needs top-up funding, and the development of budget allocations for special schools and alternative provision.

## **2.0 BACKGROUND**

- 2.1. This paper incorporates an update regarding the Delivering Better Value programme, with an increasing focus on this programme becoming an integral part of discussions about moving the High Needs Block budget to a sustainable footing.
- 2.2. The paper then discusses the implications of the High Needs operational guidance for 2023-24 – particularly given that some of the announcements have specific implications for the North Yorkshire High Needs budget for 2023-24.
- 2.3. Finally, the paper focuses on the process and timescale for generating the North Yorkshire High Needs budget for 2023-24, and the implications for decision-making around related schools funding allocations.

## **3.0 Delivering Better Value Programme**

- 3.1. As previously discussed, the local authority has been invited to participate in the Delivering Better Value (DBV) programme being co-ordinated by the DfE. The local authority is actively engaging with the opportunity to work towards developing a sustainable high needs budget, with the benefit of both external expertise (in the form of the DfE delivery partners).
- 3.2. The local authority is utilising the research findings from other local authorities and DfE guidance material to ensure that:
- a) opportunities are identified to introduce changes quickly which could rapidly enhance the effectiveness of how the high needs system operates in North Yorkshire, and;
  - b) information about the operation of the North Yorkshire high needs system is presented in the most supportive way to the DBV programme. LA officers will engage with the High Needs Funding Sub Group on these issues, particularly in relation to short-term changes that could be implemented.
- 3.3. Attached as Appendix 1 is a Questions and Answers document, based on discussions with the DfE about the mechanics of how the process will operate. North Yorkshire has been assigned to Tranche 3 (the latest tranche to start) of the 55 authorities in the DBV programme, and whilst the local authority would be keen to start sooner to capitalise upon the opportunity, we are anticipating this work will commence in earnest in early 2023.

## **4.0 DfE High Needs operational Guidance 2023-24**

- 4.1. The DfE have issued the High Needs Operational Guidance for the 2023-24 financial year in August, which is earlier than has been the case in previous years (which, in itself, is a welcome development).

4.2. The overview from the DfE highlights specific areas of significant change as well as providing the assurance that most principles underpinning the system are unchanged from the 2022-23 financial year). For the purposes of this paper, only those areas of significant change and their implications for the management of the high needs system in North Yorkshire have been highlighted.

4.3. Those areas highlighted are:

- new contextual information about local SEND responsibilities and accountability;
- annual 2023 to 2024 funding overview;
- the SEND and alternative provision green paper;
- special schools 2023 to 2024 minimum funding guarantee (MFG) – for 2023 to 2024 this will be +3% over 2 years, based on a like-for-like comparison with a special school's overall budget in 2021 to 2022. This takes into account the additional high needs funding that local authorities are receiving in 2022 to 2023 and 2023 to 2024, some of which is intended to help with the additional costs that schools are facing. Updated guidance and supporting information on the change and process for a local authority's disapplication request can be found in annex 1: special schools minimum funding guarantee
- [notional SEN budget guidance](#), published separately and referenced in the mainstream schools, academies and free schools section
- annex 2: responsibility for children and young people who move between local authorities - further clarification with reference to belonging regulations

4.4. In terms of **local SEND responsibility and accountability**, the key paragraph in the guidance is detailed below. Whilst this paragraph does not feel a marked departure from previous expectations of how the system should operate, it is nevertheless an important reference point, particularly for Schools Forum discussions.

*“Local authorities must ensure that children and young people and their parents/carers are involved in discussions and decisions about their individual support and local provision, in line with their statutory duties and the [SEND Code of Practice](#). Similarly, local authorities must ensure any changes to SEND provision and high needs funding arrangements are made in close consultation and co-production with the schools and colleges which will be affected. The local authority's [schools forum](#) is one way through, which partnership working across the education sector can be strengthened to ensure their spending decisions are most effective. However, to fulfil local authorities' statutory duties to keep the services and provision for children and young people with SEND under review, as required by the [Children and Families Act 2014](#), local engagement should take place with all of those providing education to ensure good quality provision can be planned, developed and sustained in line with available resources. This includes early years settings and colleges, as well as parents of children and young people with SEND, and young people themselves.”*

4.5. In terms of the **annual 2023-24 funding overview**, the guidance note sets out that annual High Needs DSG allocations will increase by +6.3% nationally (which equates to £570 million nationally). The DfE will continue to operate a system of floors and ceilings, so that effectively no authority will experience an increase of less than +5% per pupil or experience an increase of greater than +7%.

- 4.6. North Yorkshire's published allocation for 2023-24 is £74.622 million, which represents a funding increase of +5.8% per pupil. We remain one of the lowest funded authorities in terms of funding per head of population, and the lack of reform in the funding allocation system means that the concerns previously reported regarding the inequities of the funding system remain. In particular, c.27% of the funding quantum continues to be allocated by reference to historic levels of spending across authorities.
- 4.7. In relation to the **Minimum Funding Guarantee**, there is a more prescriptive position in relation to the Special School MFG than has been the case in previous years, as stipulated in the following paragraph:-

*“Schools and colleges should discuss with their local authority any increases as part of the top-up funding paid from authorities’ high needs budgets. It is the top-up funding rather than the place funding that will help meet the cost increases that schools and colleges are facing. Special schools’ MFG for 2023 to 2024 has been set at 3% compared to 2021 to 2022 funding levels. This is to reflect that a proportion of the increased funding received by local authorities over the 2 years, (2022 to 2023 and 2023 to 2024) must be passed on to schools in 2023 to 2024, if it has not already been passed on in 2022 to 2023. Further details can be found in [annex 1: special schools minimum funding guarantee.](#)”*

- 4.8. This guidance seems reasonably straightforward. Whilst North Yorkshire has offered protection in the form of Minimum Funding Guarantee in previous years (and indeed set a minimum funding rate of +2% when some other authorities effectively set a rate of 0%), that is not pertinent here - because all special schools will access a funding guarantee based upon a +3% uplift compared to the 2021-22 funding levels.
- 4.9. We will ensure that this information is communicated to school leaders in specialist provisions.
- 4.10. In terms of the **relationship to the SEND and alternative provision green paper**, the key paragraph is the one below:-

*“The changes proposed will take thorough and careful work and will therefore take time. In the meantime, local authorities can and should do more to use resources effectively for children and young people with SEND and those in AP. The department has published guidance on [creating sustainable high needs systems](#) (see Appendix 1) to show how local authorities can improve and manage their high needs systems and associated spending in a sustainable way.”*

- 4.11. In other words, there is a recognition that the ambitious changes set out in terms of harmonising funding rates on a national basis will take time to implement, and that in the meantime, the focus will continue to be that local authorities will need to explore with stakeholders (including the Schools Forum) how they might more effectively deploy resources. We will be working diligently through the DBV process, including reviewing the potential to learn from developments in other authorities, to explore the potential to achieve efficiencies and systems improvements. The changes proposed will take thorough and careful work and will, therefore, take time. In the meantime, local authorities can and should do more to use resources effectively for children and young people with SEND and those in AP. The department has published guidance

on [creating sustainable high needs systems](#) to show how local authorities can improve and manage their high needs systems and associated spending in a sustainable way.

- 4.12. In terms of **notional SEN Guidance**, the operational guidance is accompanied by an updated version of the notional SEN Guidance (10<sup>th</sup> August 2022).
- 4.13. This guidance sets out that:-
- in the movement towards full implementation of the NFF, local authorities will only be permitted to use NFF formula factors to distribute notional SEN budgets to schools, and encourages local authorities to review how their formula allocation methodologies compare to other authorities
  - there can be (exceptional) circumstances where *“The local authority can provide targeted funding from its high needs budget to schools in such exceptional circumstances. This funding would supplement the school’s notional SEN budget as calculated under the local funding formula.”* However, the guidance also sets a cautionary note that any such arrangements need to be very carefully managed, and should avoid creating perverse incentives.
  - reinforces that the notional SEN budget is intended to provide a flexible resource to support pupils with additional needs but below a level that would qualify for additional support through an EHCP. *“It is important to note that the notional SEN budget is not intended to provide £6,000 for every pupil with SEN, as most such pupils’ support will cost less than that. Nor is the notional SEN budget intended to provide a specific amount per pupil for those with lower additional support costs, even though the local authority may make reasonable assumptions about what those costs might be for the purpose of ensuring that their schools’ notional SEN budget calculation is realistic.”*
- 4.14. There is the scope for significant overlap between the assessment of the implications of this revised guidance, and the potential changes that may be implemented or triggered by the DBV programme – those issues will be discussed with the High Needs Funding Sub Group.
- 4.15. Finally the issue described as “annex 2: responsibility for children and young people who move between local authorities - further clarification with reference to belonging regulations” is a measure designed to close down a potential loophole in the regulations. It clarifies that if an authority places a young person who it is financially responsible for into a residential placement in another local authority area, that it still retains financial responsibility (based upon the original residential address). This removes any ambiguity, although in practical terms, this is unlikely to impact on placement budgets.

## **5.0. High Needs Budget Setting and Implications for Schools Budgets**

- 5.1. The process for generating a medium term financial forecast for the high needs budget has been reviewed, and particularly taking into account the need to proactively support the DBV process, it has been determined that a model needs to be developed that:

- will enable the financial impact of particular action plans that may be implemented within the DBV programme to be tested;
  - provides a more agile tool for testing out the financial implications of different assumptions about some key parameters within the high needs budget, particularly rates of new EHCPs, rates of cessation of plans, inflation pay award and funding rate increase assumptions
- 5.2. Consequently, a five-year financial model will be developed. It is the intention that the outcomes of this exercise as they specifically impact upon 23-24 budget setting will be shared with Schools Forum in November, and the five year budget model will be shared and utilised in discussions with the High Needs Funding sub-group as the DBV engagement commences.
- 5.3. Planned levels of uplift to top-up funding allocations will be discussed at Schools Forum in November (which will be provisional because the final decisions regarding these factors will need to be part of the approval of the overall high needs budget by Executive in January 2023). In addition, the approach that has been adopted in previous years for funding allocations for alternative provision settings uplifts (i.e. in line with the increase in general top-up funding allocations) will be considered.
- 5.4. With the earlier clarification regarding special school MFG, and the sharing of information regarding top-up funding uplifts in November, specialist provisions will be better equipped to review their strategic budget position. We are envisaging that budget allocations for Specialist provisions will be issued in early/mid-February, in line with the issuing of budget allocations to mainstream schools.

## 6.0 **CONCLUSIONS**

- 6.1. The Schools Forum is invited to note the information contained within this report, and identify any issues for further discussion within the High Needs Funding Sub-Group.

STUART CARLTON

Corporate Director – Children and Young People’s Service

## **FAQ to share with local stakeholders**

### **What is the DBV programme?**

The new DBV programme will provide dedicated support and funding to 55 local authorities. We have been selected as one of those authorities and will receive support to reform our high needs systems with the aim of improving delivery of SEND services for children and young people while ensuring services are sustainable.

### **Why have we been chosen?**

We have been selected as one of the 55 of the next set of authorities with the highest DSG deficits (based on 2020-21 accounts) after those selected for the 2022-23 safety valve programme.

### **Who is delivering the programme?**

Newton Europe, in collaboration with the Chartered Institute of Public Finance and Accountancy (CIPFA), will deliver the DBV programme, backed by £85m funding over 3 years from 2022-23.

They will bring experience of working with local authorities to improve social care, alongside project management, change management, and analytical financial modelling capacity. With SEND financial and practice advisers, they will support us to engage with key stakeholders and conduct a comprehensive diagnostic process to identify the opportunities to reform our high needs system.

The Department will then work with us to determine which identified reforms to fund and will provide small grants directly to implement and embed these reforms.

### **Why have Newton:CIPFA been chosen?**

The DFE's tender panel, which included local and central government colleagues and SEND experts, chose the Newton and Chartered Institute of Public Finance and Accounting (CIPFA) partnership as our preferred delivery partner to support the delivery of this crucial programme.

Newton works as a transformation and improvement partner to local authorities and CIPFA is the local government accounting standard setter in the UK. Between them, they have worked with hundreds of public sector organisations, particularly UK local authorities, have a comprehensive understanding of children's services and the SEND agenda, and set out an approach that is:

- **Outcomes-focussed.** Both organisations have worked extensively alongside local authorities to transform how services are delivered. Their focus is always on improving resident outcomes and ways of working, and consequently sustainably improving financial performance.
- **Evidence-based, data-driven and delivery-focussed.** Newton and CIPFA take a partnership approach to working with local authorities to create robust

- plans which will have a measurable and sustainable difference, and as delivery partners understand the challenges associated with implementing change.
- **Rooted in co-production** : The organisations believe any programme of work needs to be co-produced, bespoke, and based on detailed evidence of each local area – balancing visibility and assurance with local autonomy to genuinely add value to existing work.

### **What are the timescales for the programme?**

The programme will be running over the next two years. By way of immediate next steps, Newton and CIPFA will be jointly reaching out to all authorities to set up initial conversations. This will be an opportunity to discuss and understand the existing position of our SEND improvement work. A named Newton and CIPFA contact will then work with us to co-create the Diagnostic offer for our system. This will be done in coordination with the local area SEND advisors.

### **What will the diagnostic phase involve?**

We anticipate that the diagnostic phase will involve workshops, data analysis, and key stakeholder engagement to: understand our existing processes; take stock of where we are, our ambitions, and what needs to be done; understand the strengths and weaknesses of our local partnerships; and construct options for us to consider as part of action plans that will be proposed back to the DfE. The exact components of the diagnostic phase will be determined by where we are in our improvement journey and what we already have in place.

### **How will local stakeholders be involved in the programme?**

Local stakeholder engagement will be vital to ensure everyone has fed into the plan and has bought into the outcomes the local area wants to achieve together. Newton:CIPFA will support this engagement.

The Department is engaging with schools forums as part of the development of the programme. We expect that local schools forums will be consulted as part of the Diagnostic phase. It is also expected that local Parent Carer Forums (PCFs) will be involved in the diagnostic phase of the programme.

A Sector Steering Group (SSG) will provide sector-led advice, support and steers to the Department in the delivery of the programme ensuring a channel of feedback for participating LAs and the wider sector. It will also ensure learning is shared more widely with the sector.