

NORTH YORKSHIRE COUNTY COUNCIL

CHILDREN & YOUNG PEOPLE'S SERVICE

CORPORATE DIRECTOR'S MEETING WITH EXECUTIVE MEMBERS

19 March 2019

THE HIGH NEEDS BLOCK 2019-20

1.0 PURPOSE OF THE REPORT

- 1.1 This report summarises the expected budget for the High Needs Block in 2019-20 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 2019-20 is £50.729m which includes the £1.243m additional funding announced in December 2018. 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 (based on January 2019 census and February R06 ILR). The deduction amounts to £4.195m resulting in a net funding allocation to the local authority of £46.534m. This compares to a final cash allocation for 2019-20 of £45.574m – an increase of £0.960m. However, 0.968m of this change relates to new funding responsibilities transferred from the ESFA for post-16. There is, therefore, an anticipated overall cash decrease on a like-for-like basis of £0.008m. The final High Needs Block figure will not be known until June 2019 following confirmation of the import/export adjustment. Table 1 summarises the anticipated funding position.

Table 1: HNB Funding Position

	2018-19	2019-20	Variance
	£m	£m	£m
HNB allocation*	50.361	50.729	
Import/ export adjustment	-1.248	-1.254	
ESFA deductions	-3.539	-2.941	
North Yorkshire LA allocation*	45.574	46.534	0.960
New responsibilities		-0.968	
Like-for-like comparison	45.574	45.566	-0.008

* includes £1.243m in both 2018-19 and 2019-20

- 2.2 In November, the Schools Forum considered the results of a consultation undertaken with all mainstream schools and academies on the proposal to transfer funding from the Schools Block to the High Needs Block. Schools Forum noted the local authority's intention to seek a disapplication request to transfer 1.0% of Schools Block funding. Although Schools Forum did not support this proposal, there were a number of considerations:

- Firstly, that Schools Forum expressed understanding that there is insufficient funding within the High Needs Block allocation to meet the funding responsibilities;
 - Secondly, that in the event that a 1.0% transfer request for 2019-20 was unsuccessful (i.e. rejected by the Secretary of State), a 0.5% transfer for 2019-20 was agreed by the Schools Forum.
 - Thirdly, that the Schools Forum would continue to support the national lobbying to seek fairer funding for High Needs.
- 2.3 As outlined in section 2.1, the Secretary of State announced additional funding for High Needs in December 2018 amounting to £350m nationally. Of this £250m related to revenue funding. The amount received by North Yorkshire County Council is £2.486m - £1.243m in 2018-19 and £1.243m in 2019-20.
- 2.4 The announcement included £100m nationally for additional capital allocations. The amount received by North Yorkshire was £232k which was the minimum amount received by any local authority.
- 2.5 As part of the announcement, the Secretary of State asked local authorities who had submitted requests to move funding between blocks of the DSG for 2019-20, to review those proposals with a view to either reducing or removing those requests. This request was considered but given the scale and pace of the financial pressures in the High Needs Block, the local authority rejected the option of reducing or removing the 1.0% block transfer request. The local authority's response was submitted to the Secretary of State prior to the 15th January 2019 deadline.
- 2.6 On 18th February 2019, the local authority was contacted by ESFA officials with a further request that North Yorkshire consider setting a 0% MFG and that the Secretary of State would consider the block transfer request following receipt of the local authority's response to this request. The response, attached at **Appendix 1**, outlines that a 0% MFG in the context of a 1% block transfer would produce some perverse outcomes leading to 151 schools being worse off than a -1.5% MFG. The local authority was also mindful of the consultation with schools and academies in North Yorkshire which indicated a preference for a -1.5% MFG. Therefore, the local authority declined the request to set a 0% MFG.
- 2.7 On 28th February 2019, the local authority received written confirmation from the ESFA that the 1% block transfer request has been approved. The letter is attached at **Appendix 2**. The letter recognises that the local authority "...submitted a clear strategic plan to control high needs spend" and that "[it] appears [we] are working towards completely re-shaping [our] high needs provision, which in turn will see the funding being spent more efficiently." The implication of the additional funding transfer is approximately an additional £1.600m. This will be used as the first call on the repayment of the £2.99m shortfall outlined in Table 2.
- 2.8 Given the significant financial pressure on the High Needs Budget, the lack of any significant available DSG reserves and the need to set a balanced budget, the County Council agreed to additional budget provision effectively funded from council tax payers and business rates. This is the first time that any such provision has been made and recognises the level of demand faced by the local authority. It also highlights that DfE funding is simply insufficient to meet the needs of children and young people in the county. The cross-subsidisation of funding meant for other purposes places additional savings pressure on the council.
- 2.9 The high-level funding position is summarised below:

	£m
- High Needs Block funding from DfE	46.534
- Additional NYCC growth funding	6.000
- Block transfer	1.600
- Additional funding announcement (Dec 2018)	(1.243)
- Savings Targets	(1.009)
Total funding available for High Needs 2019-20	51,882

* NYCC base budget contribution offset by the planned 0.5% £1.600m temporary block transfer in 2019-20. The additional £1.600m temporary block transfer that makes up the full 1.0% block transfer will be used to repay the £2.99m shortfall outlined in Table 2.

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 2019-20 is outlined in Table 2 below:

Table 2: High Needs Budget

Budget Line	2018-19	2019-20	Change
	£k	£k	£k
High Needs Commissioning	35,588	40,350	4,762
Alternative Provision	5,100	4,304	(796)
Education Psychology	322	256	(66)
EMS	3,312	3,322	(10)
SEN Support and Outreach	2,719	2,688	(31)
Higher Education for LAC	47	47	-
Virtual School	486	486	-
School Improvement	66	66	-
School Improvement Partnerships	326	0	(326)
Prevention	7	7	-
AD - Inclusion	21	21	-
AD - Children and Families	67	67	-
Financial Support	54	54	-
Post-16 PFA	166	166	-
DSG Overheads	420	420	-
Budget Shortfall	(4,369)	(372)	3,997
TOTAL	44,331	51,882	7,551
Projected Outturn	50,224		
Projected Overspend	5,893		
Funded By:			
Additional HN Dec 2018	(1,243)		
Block Transfer	(1,660)		
Remaining LA Shortfall	2,990		

- 3.2 In total, anticipated expenditure in 2019/20 amounts to £52.3m with a provisional projected shortfall of £0.4m. This reflects the refinement of some financial planning assumptions between local authority budget proposals taken to Executive in January 2019 and current estimates. It should be noted that 77% 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 2018-19 High Needs Commissioning budget supports approximately 2,600 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 320 children and young people financially support through EHCPs in 2019-20 in different types of provision. This represents an expected increase in demand of 12.3% in the next year alone.
- 3.4 The High Needs Commissioning Budget of £40,350k 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 2019-20

Budget Line	£k	%
North Yorkshire Special Schools	17,172	42.6
North Yorkshire Mainstream School E3 Top-up Funding	6,215	15.4
Independent and Non-maintained Special Schools	6,578	16.3
Special Provision Institutions	3,139	7.8
Other Local Authority provision	1,817	4.5
Pooled Budget	1,565	3.9
FE Colleges	1,309	3.2
Personalised Learning Pathways	1,260	3.1
Early Years	619	1.5
Other	676	1.7
Total	40,350	100.0

- 3.5 58% of the High Needs Commissioning is spent directly with schools and academies in North Yorkshire with over 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 £6.6m is spent on approximately 120 places in independent and non-maintained special schools. This represents over 16% 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 2018-19. This continues to represent a high per pupil cost to the overall budget.
- 3.6 Table 2 indicates that the latest projected position in 2018-19 is an underlying overspending position for the local authority of £5.893m. This has been offset by temporary funding of £1.660m transferred from schools block with the agreement of Schools Forum, and the additional £1.243m funding announced in December 2018.

This leaves a net bottom-line projected overspend which will be cashflowed by the local authority of £2.990m.

3.7 There are a number of planned savings for 2019-20; the impact of these savings is reflected in the movements between 2019-20 and 2018-19 and include:

- PRS Transformation – planned savings of £796k. This is the net impact of the additional cost of commissioned places less a reduction in discretionary funding.
- Inclusion Restructure – provisional anticipated saving of £146k from the Inclusion structure included within the Council's Medium Term Financial Strategy. There is a part-year effect in 2019-20 as proposals have yet to be considered by Children and Young People's Leadership Team and will be subject to consultation with staff affected which may affect the outcome. The total anticipated saving is £250k.
- Post-16 600 Guided Learning Hours – saving of £52k from April 2019
- Specialist Equipment – planned review seeking to achieve savings of £25k in total from September 2019.

3.8 The other main change relates to the cessation of funding for School Improvement Partnerships and reflects the final full-year impact of changes made from September 2018 to the Partnership arrangements. This reduces the pressure in the High Needs Block by £326k.

4.0 SPECIAL SCHOOLS

4.1 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. Changes to the system for allocating E3 top-up funding were approved by Executive on 15th January 2019 and come into effect from April 2019.

4.2 All special school pupils have been allocated to the appropriate bandings from 1st April 2019. At their annual review, if their needs have changed significantly such that the school believes the banding is incorrect, the school will need to evidence this in their annual review documentation and they need to propose the amendments in the EHCP. Schools will need to highlight on the new Annual Review paperwork that they believe a change in banding is required. The new paperwork will be circulated in March – there will be very little change in format but there will be a new section in which schools can confirm whether or not they believe the current banding is correct. Requests for banding changes will follow an internal moderation process and schools will be advised whether that request for a banding change is agreed or not and will be advised if there are any queries or further information required to make the decision.

4.3 Any pupils who have been identified at Band 10 will be allocated a specific amount in March after the first band 10 panel. At this stage, special schools have been advised which pupils have been allocated to band 10 and they have been given an indicative amount of £20k until the panel process has been completed.

4.4 Papers have previously been presented to Schools Forum regarding the Minimum Funding Guarantee (MFG) for special schools. A disapplication request was approved by the Secretary of State to reflect the change in system in allocating E3 top-up funding. The disapplication enables the MFG to be set aside for one year

(2019-20) to enable special schools to receive the intended amount generated by the new banded system.

- 4.5 A paper on transitional funding protection was discussed at the Schools Forum on 24th January 2019 and a technical consultation exercise was undertaken with the ten special schools in North Yorkshire. The proposed transitional funding is less generous than the MFG but intentionally seeks to balance providing funding stability for special schools with reducing some pressure on the High Needs Block.
- 4.6 The technical consultation exercise was undertaken between 6th February 2019 and 4th March 2019 (the original deadline of 27th February 2019 was extended by one week at the request of Special School head teachers). 3 responses were received to the consultation. The consultation responses are summarised below:

Response	Response Received From	No. schools supporting the proposed transitional arrangements	No. schools not supporting the proposed transitional arrangements
1	Joint response sent on behalf of nine special schools		9 schools
2	Response received from individual special school (also named in response 1 above)		(1 school – already included in response 1 above)
3	Response sent representing two special schools (one of the schools is named in response 1 above)	2 schools (one school is included in response 1 above)	

The joint response (response 1) indicates that nine special schools do not support the proposed transitional arrangements. However, one of the schools named in this response has indicated in a separate response (response 3) that the proposed arrangements are supported. **Appendix 3** to this report provides a copy of the technical consultation document related to the proposed transitional arrangements **Appendix 4** to this report provides the comments received from the Special Schools who responded to the consultation.

- 4.7 The responses to the consultation indicate that the majority of special schools reject the offer of transitional funding protection. However, in the absence of any clear alternative proposals, the view of the local authority is that the transitional funding protection should be implemented to provide funding sufficient to help secure both the continuing financial viability of the schools affected and the special provision necessary to meet the needs of the children placed with EHC plans and other high needs pupils.
- 4.8 Draft special school budget statements have been prepared and shared with North Yorkshire special schools on the basis of the disapplication and proposed transitional funding arrangements.
- 4.9 The local authority continues to work closely with special schools to increase provision and ensure that special schools remain viable. In total, there are an

additional 27 planned, commissioned places from September 2019 across the ten special schools in North Yorkshire. Expanded sixth form provision in Scarborough, satellite provision in Ripon and targeted work through the Special Provision Capital Fund to increase places in several special schools are consistent with the aims of the Strategic Plan for SEND. Further close working will continue throughout 2019-20.

5 PUPIL REFERRAL SERVICE

- 5.1 As per section 3.7, the number of places allocated to individual establishments will increase from September 2019 to 130 plus 28 medical places (144 FTE in the financial year). There has been an increase in commissioned places in 2019-20 offset by a planned reduction in discretionary funding from April 2019. These proposals have been subject to detailed consultation and were approved by Executive on 15th January 2019. Contingency funding will continue to be provided for those PRUs that have exceeded their commissioned places with a minimum guarantee of £8,000 pro rata (top-up) for places above those set out in the original commission. Additional base funding will be subject to negotiation.

6.0 FURTHER WORK DURING 2019

- 6.1 Despite the transfer of £1.66m in 2018-19 and again in 2019-20, and the additional funding announcement of £1.243m in 2018-19 and 2019-20, financial pressures have not been contained within the funding allocation provided by Department for Education. All of those amounts represent temporary funding and the local authority has had to commit significant additional underlying and recurring budget to meet the shortfall. Further work is necessary and the work programme will, therefore, focus on:

- The practical implementation of the PRS transformation;
- Development of locality steering groups for inclusion;
- The practical implementation of the revised banding system for allocating E3 top-up funding;
- continuing with contractual reviews of high cost external placements;
- review Enhanced Mainstream Provision funding arrangements with development of a targeted provision model;
- progress the development of SEND Hubs and structure changes in Inclusion;
- development of medical tuition models;
- review of contextual funding;
- other reviews and developments consistent with the Strategic Plan for SEND;
- development of a free special school in Selby, if approved by Department for Education.

7.0 CONSULTATION

- 7.1 Consultation was undertaken as part of the Council's budget setting process resulting in the approval of the Budget and MTFs on 20 February 2019. Consultation for individual savings proposals impacting on the High Needs Block budget took place from 5th October 2018 to 11th November 2018.

- 7.2 The local authority recognised the complexity of the proposals and took steps to ensure that the consultation process was thorough and provided a range of opportunities for engagement which included:

- letters to parents/carers of all children and young people with EHC plans and those on roll at the PRS;
- letters to post-16 young people with EHC plans;

- online and paper-based surveys;
- publicity via the 'Red Bag' communication mechanism with schools and PRS and a request to raise awareness of the consultation;
- awareness via the Local Offer, NYPACT Parent/ Carer Forum;
- a range of public meetings to provide further explanation and an opportunity for questions;
- a range of formats of the documentation to improve accessibility to the information;
- regular communications via the press and social media to raise awareness of the consultation;
- engagement with young people in PRS, special schools and specific groups including Flying High;
- online powerpoint presentation with verbal narrative for people that could not attend the public meetings;
- frequently asked questions were updated regularly and placed on the Consultation Page of the website to help provide clarity on any areas of feedback highlighted throughout the consultation period;
- SENCOs in mainstream schools and Headteachers of special schools were asked to support young people to participate in and respond to the consultation. The local authority Behaviour and Attendance Advisers also provided support for young people in pupil referral service/ alternative provision to contribute their views and tailored the approach to suit the needs of the young people.

7.3 Additional correspondence and communication was also considered as part of the consultation from sources detailed below:

- MP letters
- Email responses
- Public questions from Full Council, Overview and Scrutiny Committee
- Union correspondence

7.4 All feedback was given due consideration and informed the recommendations which were approved by Executive on 15th January 2019. Detailed reports and appendices outlining the detailed consultation feedback can be found here: <http://democracy.northyorks.gov.uk/committees.aspx?commid=18&meetid=3784>

8.0 EQUALITIES IMPLICATION

8.1 An equality impact assessment is attached in **Appendix 5**.

8.2 The local authority will continue to meet its statutory obligations in respect of its duties to make arrangements for children with Education, Health and Care Plans.

8.3 EIAs for individual savings proposals were completed and due consideration was given to the equalities implications as part of the Executive's decision to approve the proposals on 15 January 2019. EIAs for each of the proposals can be found here: <http://democracy.northyorks.gov.uk/committees.aspx?commid=18&meetid=3784>

9.0 RECOMMENDATIONS

9.1 The Corporate Director – Children and Young People's Service in conjunction with Executive Members are asked to:

- note the contents of this report;

- note the significant financial pressure and that further proposals will need to be brought forward to address the in-year budget shortfall and medium-term financial position;
- to approve the proposed high needs block budget outlined at section 3.1;
- to approve the application of transitional funding protection for special schools outlined in section 4.0.

STUART CARLTON

Corporate Director – Children and Young People’s Service

Author of the report - Howard Emmett, Assistant Director, Strategic Resources

Presenter of report - Howard Emmett

Background Documents:

- Appendix 1 – Response to ESFA considering a 0% MFG
- Appendix 2 – Written confirmation from ESFA for a 1.0% transfer from Schools Block to High Needs Block
- Appendix 3 - Technical consultation document on proposed transitional arrangements
- Appendix 4 - Comments received from the Special Schools responding to the technical consultation
- Appendix 5 – Equality Impact Assessment