

NORTH YORKSHIRE COUNTY COUNCIL
CHILDREN AND YOUNG PEOPLE'S SERVICE
CORPORATE DIRECTOR MEETING WITH EXECUTIVE MEMBERS

17TH MARCH 2020

HIGH NEEDS BUDGET 2020-21

1.0 PURPOSE OF THE REPORT

1.1 This report summarises the expected budget for the High Needs Block in 2020-21 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 2020-21 is £56.677m, which includes a £5.481m increase announced in October 2019 (North Yorkshire's share of the increase of £780m in High Needs funding nationally) and an additional £0.336m based on the updated number of pupils in special schools and academies from the October 2019 school census. 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 total deductions amount to £4.248m resulting in a projected net funding allocation to the local authority of £52.429m. This compares to a final cash allocation for 2019-20 of £46.633m – an increase of £5.796m. However, £0.484m of this change relates to new funding responsibilities transferred from the ESFA for post-16 responsibilities. There is, therefore, an anticipated overall cash increase on a like-for-like basis of £5.312m. The final High Needs Block figure will not be known until June 2020 following confirmation of the import/export adjustment. Table 1 summarises the anticipated funding position.

Table 1: HNB Funding Position

	2019-20	2020-21	Variance
	£m	£m	£m
HNB allocation	50.860	56.677	
Import/ export adjustment	-1.287	-1.380	
ESFA deductions	-2.940	-2.868	
North Yorkshire LA allocation	46.633	52.429	5.796
New responsibilities		-0.484	
Like-for-like comparison	46.633	51.945	5.312

2.2 The number of Education, Health and Care Plans (EHCPs) continues to rise within North Yorkshire, with a projected underlying overspend of £7.4m in 2019-20. These cost pressures have been offset, in part, by a temporary transfer from Schools Block funding of £1.6m, additional High Needs funding of £1.2m confirmed by the DfE in December 2018 for financial year 2019-20, and funding from the local authority core budget of £3.7m. In addition to the 2019-20 cost pressure, an accumulated deficit of £3.3m was carried forward from the 2018-19 financial year.

- 2.3 The financial pressure is expected to continue despite the confirmation of an additional £5.3m in High Needs funding and the progress of actions identified in the North Yorkshire Strategic Plan for SEND to address the increasing cost pressures from the continuing rise in EHCPs. The underlying cost pressure for the 2020-21 financial year is estimated to be £4.8m with an estimated accumulated High Needs budget deficit of £10.8m by 31st March 2021. Further measures will need to be implemented to address the projected High Needs overspend for 2020-21 as previously used other funding sources are unable to be utilised for the reasons outlined below. The position beyond the 2020-21 financial year will also require further review.
- 2.4 The views expressed through the funding consultation undertaken with schools in Autumn 2019 and by the Schools Forum at its meeting in November 2019 to not implement a transfer of funds from the Schools block to the High Needs budget in 2020-21 are acknowledged by the LA. However, in order to meet its statutory obligation to fund EHCPs, the LA submitted a request to the DfE to transfer 0.5% from the Schools block to the High Needs budget for 2020-21. This request was not approved by Ministers.
- 2.5 In Autumn 2019 the DfE consulted on tightening the ring-fence on the Dedicated School Grant (DSG) which effectively prohibits the local authority from using local authority resources to assist with DSG financial pressures. On Friday 31 January the DfE published the outcome of this consultation. In this response the DfE stated:

“The effect of these provisions is that LAs will not be permitted to fund any part of the deficit from sources other than DSG (and any specific grants whose conditions allow them to be applied to the schools’ budget) without the authorisation of the Secretary of State. If a LA wished to use other sources, it must apply to the Secretary of State for authorisation to disregard the new arrangements. We would not wish to place barriers in the way of LAs that have used other sources to supplement the DSG for particular reasons such as PFI costs; or of LAs who want voluntarily to use small annual sums in support of their high needs budgets.”

- 2.6 The DfE have stated that the School and Early Years Finance Regulations will be amended to reflect this change. This effectively results in any DSG deficit continuing to accumulate without assurance of funds to re-pay this deficit. North Yorkshire County Council views this approach as unsustainable and provision has been made within the 2020-21 Budget and Medium Term Financial Strategy (MTFS) for the projected High Needs overspends. This has been done by ensuring that there is sufficient funding to pay for the statutory services which the council has a duty to deliver and any deficit on DSG is set to be earmarked on the balance sheet at the year-end. The Budget / MTFS also provides for an equal and opposite provision to offset the projected deficit. In this way the Council is able to offset any deficit but should the DfE provide the appropriate level of additional funds then the Council can re-claim the offsetting provision and reduce any corporate projected funding gap. The Council is therefore not funding the DSG deficit at this point but is funding provision for the possibility that it may need to in the future in line with good financial practice.

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 2020-21 is outlined in Table 2 below:

Table 2: High Needs Budget

Budget Line	2019-20	2020-21	Change
	£k	£k	£k
High Needs Commissioning	40,350	45,817	5,467
Alternative Provision	4,304	4,312	8
Education Psychology	190	190	-
EMS	3,322	2,242	(1,080)
SEN Support and Outreach	2,688	3,340	652
Higher Education for LAC	47	47	-
Virtual School	486	486	-
School Improvement	66	66	-
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	(5,555)	(4,806)	749
TOTAL	46,633	52,429	5,796
Projected Outturn	52,781		
Projected Overspend	6,118*		
Funded By:			
Block Transfer	(1,600)		
Remaining LA Shortfall	4,518		

*The projected overspend of £6.1m includes £1.243m “temporary funding” announced in December 2018 – without this the revised overspend is £7,361k as reported in section 2.2.

- 3.2 In total, anticipated expenditure in 2020-21 amounts to £57.2m with a provisional projected shortfall of £4.8m. This reflects the refinement of some financial planning assumptions between local authority budget proposals taken to Executive in January 2020 and current estimates. It should be noted that 80% 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 2019-20 High Needs Commissioning budget supports approximately 2,800 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.
- 3.4 The High Needs Commissioning Budget of £45,817k 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 2020-21

Budget Line	£k	%
North Yorkshire Special Schools	19,386	42.3
North Yorkshire Mainstream School E3 Top-up Funding	6,736	14.7
Independent and Non-maintained Special Schools	7,880	17.2
Special Provision Institutions	3,385	7.4
Other Local Authority provision	1,960	4.3
Pooled Budget	1,991	4.3
FE Colleges	1,769	3.9
Personalised Learning Pathways	1,166	2.5
Early Years	812	1.8
Other	732	1.6
Total	45,817	100.0

3.5 57% 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 £7.9m is spent on approximately 158 places in independent and non-maintained special schools. This represents over 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 2019-20. This continues to represent a high per pupil cost to the overall budget.

3.6 Table 2 indicates that the latest projected position in 2019-20 is an underlying overspending position for the local authority of £6.118m. This has been offset by temporary funding of £1.600m transferred from schools block with the agreement of Schools Forum (a further £1.790m of temporary funding making up the full 1.0% block transfer will be used to repay the shortfall incurred in 2018-19). This leaves a net bottom-line projected overspend for 2019-20 which will be cashflowed by the local authority of £4.518m.

3.7 A draft Equalities Impact Assessment (EIA) on the proposed budget is attached as

4.0 E3 BANDED VALUES

4.1 The start of 2019-20 saw changes to the system in allocating E3 top-up funding from the CAN-DO model to the new bandings in North Yorkshire. All our special school pupils had been allocated to the appropriate bandings from 1st April 2019. It is vital that the Annual Review for each pupil is conducted on a timely basis, and if their needs have changed significantly such that the school believes the banding is no longer correct, the school will need to evidence this in their Annual Review documentation and propose the amendments in the EHCP. Schools will need to highlight on the Annual Review paperwork that they believe a change in banding is required.

4.2 The local authority has proposed an increase in funding of +1.84% in overall funding in 2020-21. The effect of the proposal on the current banding rates will be as follows:

	Current rate £	Revised rate £	Increase in %
Band 4	1,160	1,290	11.21%
Band 5	3,160	3,320	5.06%
Band 6	4,780	4,970	3.97%
Band 7	7,570	7,820	3.30%
Band 8	9,140	9,420	3.06%
Band 9	12,880	13,220	2.64%
Band 10*	20,000	20,000	0.00%

* Band 10 is an indicative amount; actual amounts will be determined on a per-pupil basis.

- 4.3 The cash increase in banding values appears to increase by more than +1.84% due to the gearing effect of the notional E2 funding which is a flat cash value of £6,000. In order that schools are not disadvantaged in this calculation, the local authority has used the gross value of the E2 and E3 elements to calculate the banded value increase (for example: the gross value of Band 4 for E2 and E3 elements in 2019-20 amounts to £6,000 + £1,160 = £7,160. This is multiplied by +1.84% to arrive at £7,290 (rounded); the notional £6,000 is deducted from this value to arrive at £1,290).

5.0 SPECIAL SCHOOLS

- 5.1 Regarding the Minimum Funding Guarantee (MFG) for special schools, a technical consultation was undertaken between 9th December 2019 and 13th January 2020. Views were sought from special schools in North Yorkshire between two options:

Option A - Apply MFG of 0%

Option B - Apply MFG of +4%

- 5.2 The outcome of the consultation exercise and its final recommendation was presented in a paper to Schools Forum on 23rd January 2020, where Schools Forum was asked to support the implementation of Option B (+4%) on setting the MFG for special schools in 2020-21.
- 5.3 Draft special school budget statements have been prepared and shared with North Yorkshire special schools on 5th February 2020. Final draft budgets will be issued to special schools following the call-in period (anticipated to be 25th March 2020).
- 5.4 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 87 planned, commissioned places from September 2020 across the ten special schools in North Yorkshire.

6.0 PUPIL REFERRAL SERVICE

- 6.1 The budget for the Pupil Referral Service for 2020-21 is £3.211 million – excluding the resources allocated for Locality Board funding and the Place funding component for the academy sector provision in the Harrogate area. This takes account of the reduction in top-up funding to £8,000 per place from September 2019 and the transition from Discretionary funding to locality board funding from September 2020. As well as receiving £18,000 per place in respect of permanently excluded pupils, the individual PRS centres will receive £23,000 per place where young people are attending as a preventative provision. The additional cost of £5,000 per place (which broadly corresponds to the average value of AWPU plus per pupil allocations) will be recouped from the schools utilising those places. We have worked closely with the individual

maintained centres to support them in developing financially sustainable models within the changed parameters for the service and will continue to do so.

7.0 FURTHER WORK DURING 2020

7.1 Financial pressures have not been contained within the funding allocation provided by Department for Education. Further work will be necessary and the work programme will, therefore, focus on:

- The continued implementation of the PRS transformation;
- Development of locality boards for inclusion and school improvement;
- Development and implementation of targeted provision to replace existing enhanced mainstream school provision;
- continuing with contractual reviews of high cost external placements;
- progress the implementation of SEND Hubs and structure changes in Inclusion;
- implementation of new medical tuition models;
- consideration of capital plans and funding to reshape provision across the county;
- other reviews and developments consistent with the Strategic Plan for SEND;
- continued progression of the implementation of the free special school in Selby.

8.0 RECOMMENDATIONS

8.1 The Corporate Director – Children and Young People’s Services, in conjunction with Executive Members, is asked:

- (i) to 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;
- (ii) to approve the proposed high needs block budget outlined at section 3;
- (iii) to approve the increase of +1.84% in E3 banded values outlined at section 4;
- (iv) to approve the increase in the Special School Minimum Funding Guarantee of +4.0% outlined at section 5

HOWARD EMMETT
Assistant Director – Strategic Resources

Equality impact assessment (EIA) form: evidencing paying due regard to protected characteristics

(Form updated May 2015)

High Needs Block Budget 2020-21

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যদি আপনি এই ডকুমেন্ট অন্য ভাষায় বা ফরমেটে চান, তাহলে দয়া করে আমাদেরকে বলুন।

如欲索取以另一語文印製或另一格式製作的資料，請與我們聯絡。

اگر آپ کو معلومات کسی دیگر زبان یا دیگر شکل میں درکار ہوں تو برائے مہربانی ہم سے پوچھئے۔

Equality Impact Assessments (EIAs) are public documents. EIAs accompanying reports going to County Councillors for decisions are published with the committee papers on our website and are available in hard copy at the relevant meeting. To help people to find completed EIAs we also publish them in the Equality and Diversity section of our website. This will help people to see for themselves how we have paid due regard in order to meet statutory requirements.

Name of Directorate and Service Area	North Yorkshire County Council: Central Services
Lead Officer and contact details	Howard Emmett - Assistant Director – Strategic Services
Names and roles of other people involved in carrying out the EIA	Qingzi Bu – Senior Accountant
How will you pay due regard? e.g. working group, individual officer	This work has been overseen by the High Needs Funding Officer Group. Monitoring takes place via the Children and Young People's Leadership Team.

	<p>The High Needs Funding Subgroup of the Schools Forum and the Schools Forum itself have advisory roles.</p> <p>The setting of Minimum Funding Guarantee (MFG) for special schools has been subject to a special schools only consultation process from 9th December 2019 ending 13rd January 2020 and has had its own EIA, which was separately monitored and reviewed.</p> <p>The decision on the allocation of the Schools Budget (which includes the High Needs Block Budget) has been delegated to the Corporate Director – Children and Young People’s Service in consultation with the Corporate Director, Strategic Resources and Executive Members for CYPS and Finance on 19 February 2020.</p> <p>A further discussion is to be held at the North Yorkshire School Forum meeting on 12 March 2020.</p>
<p>When did the due regard process start?</p>	<p>Initial discussions took place after the publication of the High Needs Funding Operational Guide 2020 to 2021 by DfE in early October 2019. Option appraisals have been undertaken and proposals developed in November 2019.</p>

Section 1. Please describe briefly what this EIA is about. (e.g. are you starting a new service, changing how you do something, stopping doing something?)

Under the Children and Families Act 2014, the local authority has a statutory responsibility to allocate High Needs Block funding to support the assessed needs of the children & young people with special education needs & disabilities (SEND). This EIA considers the cumulative impact of the two proposed changes for 2020-21:

1. Setting the Minimum Funding Guarantee (MFG) for special schools at +4%
2. Uplifting the overall funding for pupils with Education & Health Care Plan (EHCP) by 1.84% through increasing the banding rates used in the E3 top up funding

Section 2. Why is this being proposed? What are the aims? What does the authority hope to achieve by it? (e.g. to save money, meet increased demand, do things in a better way.)

Combined with the MFG protection level of +1.84% agreed for mainstream schools (which was part of consultation carried out on Schools Funding 2020-21, and has had its own EIA), the changes are intended to ensure that high needs funding to both mainstream and special schools will increase by at least 1.84%. This will in turn ensure that high needs funding for any school

will be protected in real terms (as this may then lead to negative changes to the provisions of current pupils with EHCP attending the school).

Section 3. What will change? What will be different for customers and/or staff?

The two proposed changes for 2020-21 are:

1. Setting the MFG for special schools at +4%
2. Uplifting the overall funding for pupils with EHCP by 1.84% through increasing the banding rates used in the E3 top up funding

These changes will result in additional high needs funding to all of the schools in North Yorkshire, which may have a positive impact on current pupils with EHCP attending the schools.

Section 4. Involvement and consultation (What involvement and consultation has been done regarding the proposal and what are the results? What consultation will be needed and how will it be done?)

This assessment is based on a process of consultation and equality impact assessment built into the Council's overall High Needs Block budget development process. This has included:

- EIA for the application of MFG for special schools;
- On-going discussions between colleagues, the High Needs Funding subgroup of North Yorkshire Schools Forum, and special school headteachers meetings;
- Additional consideration of cumulative equality and wider community impact of the proposals;
- Consultation with Special Schools on the application of MFG.

Section 5. What impact will this proposal have on council budgets? Will it be cost neutral, have increased cost or reduce costs?

Please explain briefly why this will be the result.

The changes are expected to increase the High Needs Budget expenditure by around £180k, contributing to the underlying funding gap on the High Needs Block which, based on current information, is projected to be between £4m to £5m.

The resulting deficit will be cashflowed by the Local Authority and carried forward, with the expectation that it will be repaid by surpluses in High Needs Block funding in future years.

Section 6. How will this proposal affect people with protected characteristics?	No impact	Make things better	Make things worse	Why will it have this effect? Provide evidence from engagement, consultation and/or service user data or demographic information etc.
Age	✓			<p>There are around 3,000 children and young people with EHCP aged 0-25 in North Yorkshire schools who are affected by the proposal.</p> <p>The additional high needs funding ensures the funding is protected in real terms, so the provision of current pupils with EHCP should be protected from any changes due to reduction in funding.</p> <p>The additional funding (above inflation) may have a positive impact on current pupils with EHCP.</p>
Disability		✓		<p>The additional high needs funding ensures the funding is protected in real terms, so the provision of current pupils with EHCP should be protected from any changes due to reduction in funding.</p> <p>The additional funding (above inflation) may have a positive impact on current pupils with EHCP.</p>
Sex (Gender)		✓		<p>The population of young people attending special schools in North Yorkshire is higher among boys.</p> <p>The additional high needs funding ensures the funding is protected in real terms, so the provision of current pupils with EHCP should be protected from any changes due to reduction in funding.</p> <p>The additional funding (above inflation) may have a positive impact on current pupils with EHCP.</p>
Race	✓			No identifiable effect, as this characteristic is not a factor in determining young people with EHCP.
Gender reassignment	✓			No identifiable effect, as this characteristic is not a factor in determining young people with EHCP.
Sexual orientation	✓			No identifiable effect, as this characteristic is not a factor in determining young people with EHCP.

Religion or belief	✓			No identifiable effect, as this characteristic is not a factor in determining young people with EHCP.
Pregnancy or maternity	✓			No identifiable effect, as this characteristic is not a factor in determining young people with EHCP.
Marriage or civil partnership	✓			No identifiable effect, as this characteristic is not a factor in determining young people with EHCP.

Section 7. How will this proposal affect people who...	No impact	Make things better	Make things worse	Why will it have this effect? Provide evidence from engagement, consultation and/or service user data or demographic information etc.
..live in a rural area?	✓			No identifiable effect, as this characteristic is not a factor in determining young people with EHCP.
...have a low income?	✓			No identifiable effect, as this characteristic is not a factor in determining young people with EHCP.

<p>Section 8. Will the proposal affect anyone more because of a combination of protected characteristics? (e.g. older women or young gay men) State what you think the effect may be and why, providing evidence from engagement, consultation and/or service user data or demographic information etc.</p> <p>It is anticipated the proposed changes will impact more on the following: Young people with special educational needs and disabilities</p> <p>The additional high needs funding to schools ensures the funding is protected in real terms, so the provision of current pupils with EHCP should be protected from any changes due to reduction in funding.</p> <p>The additional funding (above inflation) may have a positive impact on current pupils with EHCP.</p>

Section 9. Next steps to address the anticipated impact. Select one of the following options and explain why this has been chosen. (Remember: we have an anticipatory duty to make reasonable adjustments so that disabled people can access services and work for us)	Tick option chosen
1. No adverse impact - no major change needed to the proposal. There is no potential for discrimination or adverse impact identified.	✓
2. Adverse impact - adjust the proposal - The EIA identifies potential problems or missed opportunities. We will change our proposal to reduce or remove these adverse impacts, or we will achieve our aim in another way which will not make things worse for people.	
3. Adverse impact - continue the proposal - The EIA identifies potential problems or missed opportunities. We cannot change our proposal to reduce or remove these adverse impacts, nor can we achieve our aim in another way which will not make things worse for people. (There must be compelling reasons	

for continuing with proposals which will have the most adverse impacts. Get advice from Legal Services)	
4. Actual or potential unlawful discrimination - stop and remove the proposal – The EIA identifies actual or potential unlawful discrimination. It must be stopped.	
Explanation of why option has been chosen. (Include any advice given by Legal Services.)	
<p>No adverse impact has been identified from the EIA affecting one or more protected characteristics. The Council must set a budget for High Needs within the funding envelope available including the council's resources approved as part of the Budget/MTFS on 19 February 2020. Further work will be necessary during 2020 and beyond to identify opportunities to contain the financial pressures within the funding allocation provided by Department for Education in the future.</p> <p>In the unlikely scenario that the provision of any young person with EHCP becomes negatively affected, the provision is reviewed as part of the statutory annual review process to ensure it meets their special education needs. We will continue to monitor the implementation through feedback, training and support at SENCO networks and in individual meetings between SENCOs, school staff and the SEN team.</p>	

Section 10. If the proposal is to be implemented how will you find out how it is really affecting people? (How will you monitor and review the changes?)
<p>In addition to the regular monitoring and reporting of finances to the School Forum, the Strategic SEND Plan sets out a comprehensive countywide North Yorkshire Inclusion Partnership model which will make sure there is a strategic vision across North Yorkshire.</p> <p>The membership will include as well as LA senior officers both senior representatives from education providers across the 0-25 age range and parents/carers.</p>

Section 11. Action plan. List any actions you need to take which have been identified in this EIA, including post implementation review to find out how the outcomes have been achieved in practice and what impacts there have actually been on people with protected characteristics.				
Action	Lead	By when	Progress	Monitoring arrangements
1. For discussion at Schools Forum	Howard Emmett – Asst. Director	12 th March 2020		
2. To take recommendation to the Director of CYPS for decision in setting the High Needs Budget for 2020-21	Howard Emmett – Asst. Director	17 th March 2020		
3. Review of implementation / impact	Jane Le Sage – Asst. Director	Ongoing		
4. To monitor High Needs Budget expenditure	Jane Le Sage – Asst. Director	Ongoing		

Section 12. Summary Summarise the findings of your EIA, including impacts, recommendation in relation to addressing impacts, including any legal advice, and next steps. This summary should be used as part of the report to the decision maker.

This EIA has considered the cumulative impact of the two proposed changes in setting the High Needs Budget for 2020-21:

1. Setting the MFG for special schools at +4%
2. Uplifting the overall funding for pupils with EHCP by 1.84% through increasing the banding rates used in the E3 top up funding

These changes should lead to additional high needs funding to schools for the current pupils with EHCP attending them, and no adverse impact has been identified as a result. Recommendation to proceed and monitor the impact of the implementation through feedback from schools and the in-year budget monitoring of expenditure in High Needs Budget.

Section 13. Sign off section

This full EIA was completed by:

Name: Qingzi Bu
Job title: Senior Accountant
Directorate: Central Services
Signature: Q Bu

Completion date: 04/03/20

Authorised by relevant Assistant Director (signature): Howard Emmett

Date: 05/03/20