

NORTH YORKSHIRE COUNTY COUNCIL

EXECUTIVE

16 FEBRUARY 2021

SPECIAL SCHOOLS BUDGET

Report of the Corporate Director – Children and Young People’s Services

1.0 PURPOSE OF THE REPORT

- 1.1 This report asks the Executive to agree a number of recommendations relating to Special school funding arrangements for 2021-22, which need to be compliant with the operational guidance issued by the Department for Education (DfE).
- 1.2 These recommendations include:
- Applying a Minimum Funding Guarantee (MFG) of 0% in the calculation of special school budgets for the 2021/22 financial year.
 - Revising the contextual funding component of the special school funding formula, so that there is a robust evidence base that the factor is responsive to changing circumstances at individual schools.
- 1.3 These recommendations have been broadly supported by the Special schools community during a county-wide consultation and the recommendations in this report were discussed positively by the North Yorkshire Schools Forum.

2.0 BACKGROUND

- 2.1 Discussions took place with the Schools Forum meeting in September regarding Special school funding arrangements in 2021/22 being impacted by a combination of:
- 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);
 - any 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;
 - any implications to emerge from the DfE High Needs funding operational guidance (which at that stage had not been issued by the DfE).
- 2.2 Reviewing each of those elements in turn:
- 2.2.1 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.

2.2.2 A proposal was developed that the **Minimum Funding Guarantee** should be set at 0% for Special schools, 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. This proposal, along with an alternative option of setting the MFG at +2% was included in a consultation exercise with the Special school sector.

2.2.3 A proposal was developed to modify the **Contextual funding allocation**, 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, it was proposed to recognise split site operations and the costs associated with operating hydrotherapy pools. The proposal considered that, in comparison to the existing arrangements, this proposal would assure schools that changing circumstances (for example, significant expansion) are reflected in the formula allocations. It would also provide greater transparency on differing allocations between schools. This proposal was also the subject of the consultation exercise, with schools being invited to express support for either the proposed approach or continuing with the existing approach, or to provide any alternative approaches.

2.3 The consultation exercise with Special schools took place during November and December 2020. Responses were received from eight of the ten Special schools – a very encouraging response rate.

2.4 In terms of the proposed change to the Contextual funding component, six schools were supportive of the proposal, whilst the other two schools did not support the proposal. Furthermore, the two schools that did not support the proposal both agreed in their responses that the current arrangements should not continue.

2.5 One of the schools not supportive of the proposal provided a more detailed articulation of their concerns, and how they considered that the revised arrangements would not provide an adequate base level of funding for their particular operation (a school supporting pupils with SEMH needs). Our analysis of their response was that it raises two key concerns that:-

- a) the reduction in the allocation of contextual funding would be sufficiently substantial that the school would be dependent upon the Minimum Funding Guarantee for a significant number of years
- b) that the contextual funding allocation for the school does not reflect the “additional needs and hence costs associated with the delivery of SEMH provision

2.6 On the former issue, there is the potential that this individual school could be dependent upon the Minimum Funding Guarantee for a number of years (dependent on the rates agreed for future years). However, in the light of no alternative proposals being suggested, the only means to avoid this being the case would be to leave the contextual funding factor in its current form – which all consultation respondents felt should not be the case.

2.7 In terms of the view about the factor not reflecting the needs of SEMH pupils, the local authority view would be that is more a consideration for the overall special school funding arrangements. The local authority would contend that the banded allocations methodology for top-up funding does permit appropriate differentiation of the needs of pupils, and that

the solution to addressing this particular concern does not reside in the contextual funding factor.

- 2.8 Turning to the issue of the Minimum Funding Guarantee, in terms of headline response rates, there was a mixed response – with 3 schools supporting the 0% proposal, and 5 schools supporting the +2% proposal.
- 2.9 Specifically schools articulated that:
- they were concerned about the equivalence of Minimum Funding Guarantee rates between mainstream and special schools
 - they were concerned that the proposed Minimum Funding Guarantee of 0% represented a precedent for future years' settlements for the sector
- 2.10 In terms of the precedent issue, the local authority position is that the requirements will be reassessed each year in the light of the challenges being faced within the sector. The local authority will consider the overall financial challenge being experienced on the high needs budget, and the issue appropriately raised of achieving at least equivalence with the mainstream sector to protect the education of some of our most vulnerable learners.
- 2.11 In terms of the equivalence issue, as set out in the consultation document and previous discussions, the proposal of 0% for the Minimum Funding Guarantee for 2021-22 was linked to the significantly higher rate of +4% applied in 2020-21, despite the DfE only prescribing an MFG rate of 0% for the Special school sector. The equivalent rates for mainstream schools across the two financial years were +1.84% and +2%. So our conclusion is that a school in relatively stable circumstances (recognising that there are nuances to how the MFG calculation protects individual schools) in the Special school sector has been protected at a slightly higher rate than schools in the mainstream sector across those two years.
- 2.12 Taking into account the above factors, it was proposed to the Schools Forum that the local authority was minded to implement the 0% MFG. There was also a commitment that the rate applicable in 2022-23 will be discussed with the Schools Forum in the Autumn term 2021.
- 2.13 The propositions that the local authority was minded to proceed with the revision to the contextual funding arrangements and setting an MFG of 0% for the Special school sector were discussed at the Schools Forum meeting on January 21st 2021, where no concerns were expressed with this approach.

3.0 FINANCIAL IMPLICATIONS

- 3.1 All funding discussed in this paper is part of the Dedicated Schools Grant (DSG). There is no direct impact on the Council's budget as a result of the recommendations in relation to the level of the Minimum Funding Guarantee or revision to contextual funding arrangements for Special Schools.
- 3.2 The proposals have been designed to be cost neutral within the High Needs component of the Dedicated Schools Grant. Our assessment was that three schools would, all other things being equal, receive a lower funding allocation as a consequence of the changes to contextual funding, which was exemplified to schools within the consultation document. However, with the operation of the Minimum Funding Guarantee, no school will receive a reduction in funding per pupil between 2020-21 and 2021-22.

4.0 LEGAL IMPLICATIONS

4.1 No specific legal implications are identified as a result of the recommendations contained within this report.

5.0 EQUALITIES IMPLICATIONS

5.1 An Equality Impact Assessment (EIA) initial screening has been completed, and is attached as **Appendix 1**. It is anticipated that there will be no impact on any persons with protected characteristics as defined by the Equality Act 2010.

5.2 At this stage of the EIA there is no evidence to suggest that the proposal made will significantly disadvantage one or more protected characteristics.

6.0 CONSULTATION UNDERTAKEN AND RESPONSES

6.1 As discussed within Section 2, a consultation was undertaken with all Special schools and academies in North Yorkshire, following discussions with the North Yorkshire Schools Forum.

6.2 This consultation lasted from Tuesday 10th November 2020 until Thursday 17th December 2020. There were 8 school responses – six of these were from maintained schools and both special academies responded. The response rate was a very positive 80%.

7.0 RECOMMENDATIONS

7.1 The Council's Executive is asked to agree:

- i. That the Council applies a Minimum Funding Guarantee (MFG) of 0% in the calculation of special school budgets for the 2021/22 financial year.
- ii. That the Council uses the revised methodology for calculating the contextual funding component of the formula allocation for special school budgets.

Stuart Carlton
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February 2021

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Appendices:

Appendix 1 – EIA Screening Form

Background Documents:

Reports to the North Yorkshire Schools Forum dated 17th September 2020 and 21st January 2021 – see: <http://cyps.northyorks.gov.uk/nyep-meetings-and-agendas>