

EAST RIDING OF YORKSHIRE COUNCIL

Item No.

Report to: East Riding Schools Forum
28 January 2021

Schools Budget 2021-22

Report of the Director of Children, Families and Schools and Director of Corporate Resources

A. Executive Summary

The schools budget is funded entirely through the Dedicated Schools Grant (DSG). The DSG consists of four separate funding blocks – schools, high needs, central school services and early years. Each funding block is separately calculated by the Education and Skills Funding Agency (ESFA).

The schools budget funding settlement for 2021-22 was announced by the ESFA on 17 December 2020. The East Riding's DSG for 2021-22 of £261.893m is £10.976m higher than the 2020-21 level of £250.917m.

The 2021-22 DSG allocation also includes the transfer into DSG of £9.226m of Teachers' Pay and Pension Grants that were previously paid to schools separately.

The increase in DSG reflects the East Riding's 2021-22 share of the additional £14bn nationally announced by the Government in summer 2019 for schools funding over the period 2020-21 to 2022-23.

The increase of £10.976m in 2021-22 includes £6.903m for the schools block, £3.800m for high needs, £0.241m for early years and £0.032m for central school services.

Central schools services block funding will increase by £0.032m in total in 2021-22. This overall increase includes £0.172m added into the DSG for Teachers' Pay and Pensions grants relating to centrally employed teachers. Offsetting this is a reduction of £0.140m relating to the DfE's decision to phase out funding for historic commitments within the central school services block. It will be proposed to the Council on 11 February 2021 that this reduction will be met through an additional contribution from the General Fund budget.

Following extensive consultation with East Riding schools and the Schools Forum, it will be recommended to the Cabinet on 2 February 2021 that a local schools funding formula is maintained for 2021-22 and that the funding formula used match that previously approved for 2020-21.

Final details of the local schools funding formula are required to be submitted to the ESFA by 21 January 2021.

B. Corporate Priorities

Helping Children and Young People Achieve
Protecting the Vulnerable

C. Recommendations

It is recommended that:

- (i) the Schools Forum considers whether they wish to make any representations to Cabinet and Council on the proposed 2021-22 schools budget.
- (ii) the Schools Forum approves the proposed central retentions to be funded from the central school services block, as identified in paragraph 4.5.

D. Equality Implications

The equality implications have been considered and no negative impacts upon protected characteristic groups were identified.

1 Background

- 1.1 The schools budget is funded by a ring-fenced grant, the Dedicated Schools Grant (DSG). The DSG is broken down by the ESFA into four separate funding blocks – schools, high needs, central school services and early years. The current level of DSG for 2020-21 is £241.691m.
- 1.2 Although the DSG is ring-fenced as a whole, funding can be transferred between the four blocks. The DfE will allow up to 0.5% of the schools block to be transferred to another block following consultation with local schools and the agreement of the Schools Forum. Movements between the other blocks are not subject to a limit and can be made with the agreement of the Schools Forum
- 1.3 It remains the DfE's long term intention that all schools' budgets will be set on the basis of a single national formula. However, the DfE recognises that this represents a significant change and the importance of stability for schools. On 20 July 2020, the DfE confirmed that local authorities may continue to apply a local funding formula for 2021-22 to determine how the amount of funding they receive from the DfE is distributed to schools in their local areas. However, within this flexibility is the mandatory requirement for local authorities to apply national minimum funding levels in their local funding formula. For 2021-22 these values are £4,180 for Primary pupils and £5,415 for Secondary pupils.
- 1.4 The early years national funding formula was introduced in 2017-18. The East Riding were funded at the minimum funding floor of £4.30 per hour for three and four year old free nursery provision. Funding rates for 2021-22 were confirmed by the DfE on 18 November 2020 and the East Riding was allocated an additional £0.06 per hour but remained on the funding floor at £4.44 per hour. Similarly, we remained on the funding floor for two year olds despite an increase of £0.08 per hour to £5.36.

- 1.5 The Secretary of State for Education confirmed to Parliament on 3 September 2019 that funding for schools and high needs will rise by £2.6 billion in 2020-21, £4.8 billion in 2021-22 and £7.1 billion in 2022-23.
- 1.6 Final details of the 2021-22 Schools budget funding settlement were announced on 17 December 2020.
- 1.7 The 2021-22 schools funding proforma, including details of the distribution of schools block funding through the local schools funding formula, will need to be submitted to the ESFA by 21 January 2021.

2 2021-22 Schools Budget Funding Settlement

- 2.1 Following confirmation of October 2020 pupil numbers, the ESFA announced details of the schools funding settlement on 17 December 2020, as follows:

	Adjusted 2020-21	2021-22	Change	
	£m	£m	£m	%
Schools block	203.652	210.555	6.903	3.4%
High needs block	27.182	30.982	3.800	14.0%
Early years block	18.162	18.403	0.241	1.3%
Central school services block	1.921	1.953	0.032	1.7%
Dedicated Schools Grant - Total	250.917	261.893	10.976	4.4%

- 2.2 The adjusted 2020-21 baseline includes £9.226m for Teachers' Pay and Pensions grants that will be included in the DSG from 2021-22 but were previously paid to schools separately.
- 2.3 The ESFA has also confirmed that the 2021-22 recoupment for high needs place funding will be £0.434m. The ESFA will also recoup funding from the schools block for the East Riding's academies and free school. In 2020-21, the ESFA recouped £80.822m for the East Riding's current thirty five academies and one free school. This figure will be revised following confirmation of each school's funding allocation for 2021-22 through the local schools funding formula. The recoupment figure will be increased further for any subsequent conversions. Currently, only one further school (St Joseph's RC Primary School in Goole) is due to convert.
- 2.4 Particular problems continue to be experienced in the high needs block in 2020-21, with an overspend of £2.163m currently forecast. In addition and largely due to the high needs block overspend in 2019-20, a deficit on the DSG at the end of 2019-20 of £3.319m was reported. As a consequence, the current high needs forecast DSG deficit for the end of 2020-21 is £5.482m. In response to this high needs deficit, the Council has produced a management plan to start looking at bringing this deficit under control. The management plan is reported elsewhere on the agenda. No transfer of funding from the schools block to high needs block is proposed for 2021-22. However, this still currently remains an option for future years.
- 2.5 The early years block allocation of £18.403m for 2021-22 includes additional funding of £0.241m, all relating to the increase in the hourly rate paid for two and three and four year

olds. The hourly rate for two year olds has increased by 8 pence from £5.28 to £5.36, with an increase of 6 pence for three and four year olds seeing the hourly rate increase from £4.38 to £4.34. The following table provides a breakdown of the 2021-22 funding allocation compared to 2020-21.

	2020-21	2020-21	Change
	£m	£m	£m
3 and 4 year old universal funding	10.582	10.727	0.145
3 and 4 year additional funding for 15 hours	5.144	5.214	0.070
2 year old funding	1.944	1.974	0.030
Early Years Pupil Premium	0.112	0.112	0.000
Supplementary Funding Maintained Nursery Schools	0.318	0.318	0.000
Disability Access	0.062	0.058	-0.004
	<u>18.162</u>	<u>18.403</u>	<u>0.241</u>

- 2.6 Supplementary funding from the DfE for maintained nursery schools was originally £0.530m in 2017-18. Over the past three years, this funding has been reduced by a total of £0.212m to £0.318m for 2021-22. The Schools Forum on 22 November 2018 agreed to reduce the maintained nursery school lump sum by £0.040m over the next three financial years from a lump sum of £0.130m in 2018-19 to £0.118m in 2019-20, to £0.098m in 2020-21, and finally to £0.090m in 2021-22. The planned total lump sum for the four East Riding nursery schools is therefore £0.360m for 2021-22, which is £0.042m more than the level of funding received. This additional amount of £0.042m will need to be found from the 5% of funding received for three and four year olds that can be retained centrally. The DfE have also confirmed that the £0.318m of funding already announced for maintained nursery schools is indicative and conditional. As a consequence this current level of funding will likely be amended during 2021-22.
- 2.7 For 2021-22, it is proposed that the early years central retention is £0.610m. This equates to 3.8% of the available funding for 3 and 4 year olds. This is below the maximum permissible 5%. Further details on proposals relating to early years can be found on the separate early years report on the agenda.
- 2.8 At the Forum's meeting on 19 November 2020, a request was made that the Council consider awarding discretionary relief to early years providers for 2021-22 if the government does not repeat the 100% relief it has provided in 2020-21. The government gave no indication that it intends to repeat this support for 2021-22 when it published its Spending Review on 25 November 2020. The Head of Finance has raised the Forum's request with the Council's Cabinet and it is actively being considered ahead of the full Council meeting on 11 February 2021.

3 Local Schools Funding Formula 2021-22 – Schools Block

- 3.1 The Council launched a consultation on 14 October 2020 with schools and academies in the East Riding on three possible local funding formula options for use in 2021-22:
1. Continue with the existing approved local schools funding formula
 2. Continue with the existing approved local schools funding formula but modified to include national sparsity values

3. Replicate the 'hard' national funding formula
- 3.2 On 19 November 2020, the schools forum agreed to support the use of option 1 for our local funding formula in 2021-22. This option will be recommended to the Council's Cabinet at its meeting on 2 February 2021.
- 3.3 The following is a summary of the proposed local funding formula to be submitted to the ESFA:

Factor	Unit Value	Total Allocation
	£	£
1. Per Pupil Allocation	Key Stages 1 and 2	79,731,435
	Key Stage 3	47,625,732
	Key Stage 4	36,331,099
2. Deprivation	Various	13,313,322
3. Looked after Children	Various	263,536
4. Prior Attainment	Various	5,085,370
5. English as an Additional Language	Various	316,431
6. Lump Sum	Various	19,140,000
7. Sparsity	Various	340,000
8. Split Sites	Various	148,785
9. Rates	Actual Cost	2,974,157
10. PFI Funding	Actual Cost	1,037,084
Minimum funding guarantee and capping deduction		339,551
Minimum Per Pupil Funding Level		3,236,221
Growth Fund/Infant Class Size Fund		672,000
Total Allocation		210,554,723

- 3.4 The East Riding has been allocated £0.844m of growth funding within the schools block for 2021-22. It is proposed that the East Riding continue to use the historic amount of £0.672m for infant class size funding and growth. The balance of £0.172m will be distributed to schools through the local schools funding formula.
- 3.5 No details have yet been made available by the DfE on schools funding allocations beyond 2021-22. However, based on the stepped increases in schools and high needs funding already announced by the Secretary of State for Education, as described in paragraph 1.5, a further funding increase is expected in 2022-23. If funding increases will be distributed in the same way as 2020-21 and 2021-22, it is projected that the East Riding will receive an increase of £11.212m in 2022-23.
- 3.6 Whilst the DfE announced in July 2020 that local authorities are still able to set a local schools funding formula in 2021-22, they also announced their intention to put forward plans later in the year to move to a 'hard' national funding formula in the future. However, the DfE has not provided a firm indication of when use of the national funding formula will become mandatory.

3.7 On 19 November 2020, the Schools Forum voted to support the current local funding formula incorporating any compulsory factors for 2021-22 including the minimum per pupil funding levels (option 1) as the preferred local funding formula to be used for 2021-22. The budget proposals at Appendix 1 include the continued use of option 1 to distribute the DSG to schools in the East Riding in 2021-22. These proposals will be recommended to the Council's Cabinet on 2 February 2021 for onward recommendation to full Council on 11 February 2021.

4 **Central School Services Block 2021-22**

4.1 The final 2021-22 central school services block allocation shows an overall increase in funding of £0.032m.

4.2 The central school services block funds both a number of on-going responsibilities and historic commitments. The Government is committed to phasing out funding for the historic commitment element of the central school services block and thus similar levels of reduction are expected over the coming three years. The DfE have reduced the central school services block by £0.140m to reflect this.

4.3 To reflect the transfer into DSG of funding previously paid separately for Teachers' Pay and Pension grants relating to centrally employed teaching staff, the DfE have increased the central school services block by £0.172m. This relates to staff employed by the school music service.

4.3 The reduction in funding of £0.140m for historic commitments is to be divided between the contribution to the exclusions service budget (£0.047m) and the contribution to school improvement service budget (£0.093m). It is proposed that both the exclusions service and school improvement service budgets are maintained at their current level for 2021-22 through a contribution of £0.140m reduction to funding from the Council's General Fund budget. This is consistent with the approach taken in previous years.

4.4 As part of the announcement of 2021-22 funding levels on 19 December 2020, the ESFA confirmed the level of funding they will be top slicing from the central school services block for copyright licences. The funding to be top sliced for copyright licences in 2021-22 is £244,940, an increase of £100 on the corresponding 2020-21 top slice. It is proposed that this is found by making a corresponding reduction to the admissions service budget.

a. The final 2021-22 proposed central retentions to be funded from the central school services block are:

	£
Central Licences	244,940
Contribution to responsibilities that local authorities hold for all schools	617,000
Admissions	626,225
Servicing of schools forum	580
Contribution to combined budgets – School Improvement	191,040
Contribution to combined budgets – Exclusions	95,550
Contribution to combined budgets – SACRE	5,270
School Music Service – Teachers' Pay and Pension grants	172,395
Total 2021-22 Central School Services Block	1,953,000

5 **Financial Planning 2021-22 to 2024-25**

- 5.1 A copy of the final Schools budget plan is attached to this report at Appendix 1. The following paragraphs summarise the key points.
- 5.2 **Schools block** – The DfE have confirmed that both the Teachers’ Pay Grant and Teachers’ Pension Employer Contribution Grant have been added into the DSG. Funding previously received separately by schools for these grants will now be included within the local funding formula allocation received by each school. Whilst the Government has recommended a freeze on public sector pay for 2021-22, with the exception of those on under £24,000 where a minimum increase of £250 is recommended, costs associated with the progression to a national living wage of £10.32 per hour by 2024 and a minimum teacher’s salary of £30,000 by September 2024 continue to add financial pressures in the short to medium term.
- 5.3 **High Needs block** – The high needs block is under considerable pressure both locally and nationally. Although the high needs block has increased by £3.800m in 2021-22 pressures identified including those relating to the increase in Education and Health Care Plans, growth in independent special school place costs and additional commissioned special school and enhanced resource provision places exceed this additional resource by £1.961m. Therefore, it is likely that the forecasted DSG deficit for the end of 2020-21 of £5.842m, described in paragraph 2.4, will increase further by the end of 2021-22. The remedial actions to tackle the high needs budget pressures are reported elsewhere on the agenda and are unlikely to start taking effect until 2022-23.
- 5.4 **Early Years block** – The increase of £0.241m relates primarily to funding received for two, three and four year olds as a result of an increase in the hourly rate received for two year olds (8 pence) and three and four year olds (6 pence). This will be matched by an increase in cost on the hourly rate paid out for two year olds and three and four year olds.

6 **Coronavirus (COVID-19) additional costs**

- 6.1 In July 2020, schools were able to submit a funding claim to the DfE for additional costs incurred during the summer term as a consequence of the pandemic, under 3 headings:
- premises - need to keep the school open
 - support for free school meals for eligible children who are not attending school
 - additional cleaning required due to confirmed or suspected Coronavirus (COVID-19) cases
- 6.2 A total of 84 schools were successful in claiming funding of £316,972.
- 6.3 On 15 December 2020, the DfE released full guidance on additional support to schools provided through the Coronavirus (COVID-19) Workforce Fund to support schools with the costs of staff absences from 1 November 2020 to 31 December 2020.
- 6.4 The fund covers support for schools meeting the criteria to help them meet the cost of covering workforce absences experienced from 1 November 2020 until the end of the autumn 2020 term. Schools can backdate claims to 1 November 2020 where they met the eligibility criteria.

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Appendix I

SCHOOLS BUDGET

Introduction

Portfolio Holder: Councillor Julie Abraham

East Riding of Yorkshire Council is highly ambitious for all our children and young people. We are committed to ensuring every child and young person has the best start in life. We do this by relentlessly championing education and learning experiences, working in partnership with education providers at all learning stages for children and young people of all abilities, including vulnerable learners such as children with special educational needs and disabilities and children who are looked after, in order to close the attainment gap and provide equality of opportunity.

In what has been an exceptionally challenging year for all, the strong partnership working between all our 150 schools, academies and the Council has played a significant role in minimising, wherever possible, the disruptive impact of the Covid-19 pandemic. This partnership approach resulted in the majority of pupils being able to remain in school and continue their learning.

However, it is clear that all children's learning has been impacted by the current pandemic and we are working with all partners to develop insight, analyses and understanding of this impact on the educational progress of children and young people. This work will shape how the Council will support all early years providers, schools and academies to make gains in learning and progress to ensure that the generation affected by this pandemic have the same life chances as their older and younger counterparts.

We know early years providers and schools are facing challenging times in terms of continued pressure on budgets which has been compounded by the impact of the Coronavirus pandemic in terms of resources and pupil outcomes. However we remain committed to supporting all our early years providers, schools and academies, on behalf of our children and young people, to raise standards; provide high quality learning opportunities; secure educational effectiveness; and continually improve outcomes, across all phases of education and age ranges.

Another ongoing challenge is funding of support for pupils with Special Educational Needs and Disabilities, as the growing pace of demand is exceeding the funding provision from the government and significant funding deficit exists as a consequence. This is a national issue for local authorities and pressure continues to be exerted on government to use the ongoing review of Special Educational Needs and Disability (SEND) to give councils the powers and long-term certainty of funding to support children and young people with SEND.

The Schools Budget is funded through the ring-fenced Dedicated Schools Grant (DSG) which consists of four separate funding blocks:

- **Schools block**
With the exception of a small amount of funding held back for growth, this funding is distributed to local authority maintained schools and academy schools through a local schools funding formula.
- **High needs block**
This is used to fund places at special schools, pupil referral units (The Hub), alternative provision providers, enhanced resource centres in schools and independent non maintained special schools. It also funds education and health care plans (EHCPs) for East Riding pupils aged 0-25 years placed in schools both inside and outside the East Riding.

- **Early years block**
This is used to fund nursery education for two, three and four year olds and the majority of the funding is distributed to nursery schools and private, voluntary and independent settings.
- **Central school services block**
This funds the admissions service as well as supporting the budgets for the exclusions service and the school improvement service.

Each funding block is calculated separately by the Education and Skills Funding Agency (ESFA) before being combined into one DSG.

Schools also receive specific government grants directly, the most significant of which are the pupil premium, universal infant free school meals grants, and sixth form funding.

As the annual funding level of the Schools Budget is set by the Department for Education (DfE) through the DSG, the Council’s budget decisions are focussed on the local allocation of the DSG to fund individual schools, early years providers, and centrally managed education services.

The DSG paid to the Council for distribution includes the funding for academy schools.

The Schools Forum, a statutory group of representatives from schools across the East Riding (including academies), is consulted on the proposed schools budget and local schools funding formula.

Dedicated Schools Grant

In the Spending Round 2019, the Government announced increases to DSG nationally of £14bn between 2020-21 and 2022-23. In 2021-22, £4.8bn of this increase will be made available.

On 20 July 2020, the DfE announced the indicative allocations for the schools, high needs and central school services blocks. The 2021-22 indicative DSG allocation for the East Riding is £261.4m, an increase of £10.5m (4.2%) compared to 2020-21.

Final figures for 2021-22 including details of the early years block and pupil growth within the schools block were announced by the ESFA on 17 December 2020 following confirmation of October 2020 pupil numbers. Final figures are shown below. The 2020-21 budget reported below has been adjusted to include the transfer into DSG of £9.226m of Teachers’ Pay and Pension grants that were previously paid to schools separately.

Block	2020-21	2021-22	Change	
	Adjusted Budget £m	Provisional Budget £m	£m	%
Schools	203.652	210.555	6.903	3.4%
High Needs	27.182	30.982	3.800	14.0%
Central School Services	1.921	1.953	0.032	1.7%
Early Years	18.162	18.403	0.241	1.3%
	250.917	261.893	10.976	4.4%

Individual schools will not all receive the same percentage increase to their funding from DSG. The distribution of funding depends on the local funding formula which takes into account several factors including pupil numbers. The funding position of individual schools will therefore depend on their own particular circumstances and data numbers.

The Council, on behalf of all its' residents, continues to drive for improved levels of funding for schools to enable all our children and young people to have the best start in life and subsequent life chances. To that end, we continue to represent our providers and residents through the f40 group, the group of 40 lowest funded Local Authorities nationally, which lobby government for improved school funding.

Funding Distribution to Schools

The government uses a national formula to calculate allocations of the DSG to each local authority and each school within its geographical area. However, the local authority uses a local funding formula to calculate the distribution of the DSG to individual schools.

During the autumn term of 2020, the Council consulted East Riding schools and academies on three possible local funding formula options to use for 2021-22.

Option 1 – The current local funding formula incorporating any compulsory factors for 2021-22, including the minimum per pupil funding levels.

Option 2 – The current local funding formula incorporating any compulsory factors for 2021-22 and the new sparsity values used in the national funding formula.

Option 3 – The national funding formula.

The results of the consultation were reported to the Schools Forum on 19 November 2020. The Schools Forum voted to support option 1 as the preferred local funding formula to be used for 2021-22. These budget proposals include the continued use of option 1 to distribute the DSG to schools in the East Riding in 2021-22.

Key Challenges

Schools Block

Covid-19 has changed the focus of local authorities, early years providers, schools and academies over the last financial year. The pandemic of 2020 put an immeasurable pressure on learning providers who are funded through the schools block in terms of children and young people's mental health and learning, academic outcomes, workforce health and wellbeing and budgets.

Over the last five years, East Riding schools and academies, supported and challenged by the local authority, have secured significant improvement in the quality of provision and therefore Ofsted outcomes. This resulted in a 30+ % increase in the proportion of schools judged good or better by Ofsted. However, as inspections were suspended by the regulator in March 2020, the proportion of schools judged by Ofsted as good or better remain at 86%. The challenge that providers and the local authority face in 2021 and beyond is to resume and continue the earlier

trajectory of improvement as the pandemic recedes and there is a return to a more normal operating environment.

Due to the Coronavirus pandemic, councils nationally did not receive 2020 key stage outcome data. The outcomes received by each pupil at all keys stages in the summer of 2020 was aimed at supporting pupils to progress to the next stage of their learning journey.

More importantly, children and young people across the East Riding have missed a significant amount of valuable classroom learning, initially for the 5 month period where provisions were closed due to the first national lockdown, and in the latter terms as a result of the need for frequent school community self-isolation. We know that this may affect the mental health and wellbeing and potentially the academic outcomes for children of all ages and education stages, and for each there is a risk. We also know that for our youngest residents, embarking upon their lifelong learning journey, the impact of this lost learning in the very early formative years could mean that children's learning and progress will potentially been delayed.

The most significant challenges faced by all our providers across the age ranges is ensuring that learning progresses at pace with the highest quality provision and that pupils mental health and wellbeing is accounted for and supported.

Early years providers, schools and academies must now harness the benefits, challenges and opportunities experienced through the pandemic by blending traditional learning approaches of face-to-face engagement with the use of technology to develop a modern repertoire and embed a cultural shift in how learning opportunities can be presented to children and young people to prepare them for the world of work in the 21st century.

One consequence of the Covid-19 pandemic is the significant increase seen in the number of east riding families who have chosen to electively home educate their children. In looking to the future, the council now needs to proactively anticipate the pressure this will place upon admissions, currently funded through the central schools funding block, when families choose for their children to return to formal education in the post pandemic phase. The pressure anticipated is one of a significant increase on the number of in-year-applications received that will need to be processed in order to secure a place for pupils back in school.

The most significant annual pressure facing schools continues to be pay increases. Whilst the Government has recommended a freeze on public sector pay for 2021-22, with the exception of those on under £24,000 where a minimum increase of £250 is recommended, costs associated with the progression to a national living wage of £10.32 per hour by 2024 and a minimum teacher's salary of £30,000 by September 2024 continue to add financial pressures in the short to medium term. A 2% pay award continues to be assumed for 2022-23 onwards. For the East Riding local authority maintained primary and secondary schools, pay increases are estimated to be £2.577m in 2021-22 and £17.212m by 2024-25. Over a quarter of East Riding primary and secondary schools have converted to academies and we are not in possession of their budget pressure projections. However, the schools funding block is allocated through the local schools funding formula to all local authority maintained and academy primary and secondary schools.

High Needs Block

The commissioning of high needs places is a responsibility of the local authority and consequently all funding allocated from the high needs block, including that provided to the three East Riding Special Schools and The Hub, is managed by the Council. The high needs block supports alternative provision, education health care plans in maintained schools and Special Schools.

The introduction of Special Education Needs and Disability (SEND) reforms in 2014 placed additional responsibilities on local authorities for supporting children with SEND. These responsibilities have resulted in local authorities facing additional financial pressures with many local authorities now reporting deficits on their high needs budgets. Since 2015, the Council has seen a 90% increase in the number of pupils with Education, Health and Care Plans (EHCPs) and is now supporting over 2,400 young people with an EHCP. Consequently, the high needs budget for 2020-21 is projected to overspend by £2.2m.

Local authorities across the country are facing significant pressures on their high needs budgets due to this ongoing increase in service demand. A survey conducted by the Society of County Treasurers in October 2020 revealed that, of the 32 members who responded, an in-year high needs deficit of £202.8m was anticipated in 2020-21 and a cumulative deficit of £527.2m. The 2021-22 indicative DSG allocates the maximum permitted increase of £3.8m (14.0%) to the East Riding for high needs. It is projected that all of this increase will be needed to fund the existing overspends in 2020-21 rolling into 2021-22 and the continuing growth in the number of education and health care plans, demand for places at special schools and The Hub, and enhanced resource provision. Pressures facing the high needs budget in 2021-22 are projected to be £5.8m.

To help tackle the growth in demand, the East Riding has increased the in-take to each of our three special schools as well as investing in a new alternative provision centre. We have also increased the number of enhanced resource provision centres in our own mainstream schools. Despite these initiatives, the East Riding's SEND population and EHCP numbers continue to rise, as they do nationally, which places continuing pressure on the high needs budget.

The Council is currently working on a management plan to tackle the deficit and address the high needs overspend, as required by the DfE. This recovery plan will be presented to the local schools forum in January 2021 and will include measures to provide early help and support to pupils.

The government is undertaking a review of SEND provision and councils nationally have asked that this review is used to give them the powers and long-term certainty of funding to support children and young people with SEND.

Early Years Block

Due to the Coronavirus pandemic, payments to early years providers in 2020-21 (Summer and Autumn terms) have largely been based on estimated numbers rather than actual headcounts. Instructions from the DfE for spring term 2021 payments are still to be received. The full impact of this on the 2020-21 financial position and financial projections for 2021-22 can only be determined when DfE instructions are received.

Funding to be received by the Council for three and four year olds in 2021-22 has been increased from £4.38 per pupil per hour to £4.44. Currently £4.07 of the £4.38 is distributed to early years providers is £4.07 with the equivalent of a further £0.13 per hour distributed for deprivation. The remaining £0.18 (4.1%) is used to meet central costs. Proposals on how to utilise the additional £0.06 per hour will be presented to the Schools Forum in January 2021.

A significant number of early years providers rely entirely on funding which they receive from the Council for two, three and four year old places. Whilst this funding has continued to be distributed to providers during the 2020-21 financial year, many private providers have struggled financially during the pandemic, particularly because they have been unable to charge for additional

hours when closed or effectively furlough staff due to the need to safely implement and manage smaller groups of children (bubbles), and there has been an absence of direct Government funding for costs associated with the pandemic, such as PPE and other hygiene related equipment.

Future Plans

School Improvement

The Council has an existing School Improvement Strategy which was proving effective and fit for purpose in a pre-Covid world, however the pandemic has changed the nature of schools and the need for school improvement. We now need to develop a refreshed School Improvement Strategy fit for the new future of education as we enter the recovery phase of this pandemic.

The refreshed strategy will need to take account of:

- a diverse range of individual school contexts and challenges
- new ways of working
- regaining gaps in pupils learning
- provision of newly established vulnerable groups which may not fit the current statutory definitions
- curriculum change
- mental and emotional wellbeing of pupils especially those in KS4 & 5
- local, regional and national lessons learned from the pandemic.
- supporting families to rebuild their confidence in school attendance

The pandemic has highlighted the need for early years providers, schools and academies to re-evaluate their curriculum to ensure gaps in learning are addressed at pace, so that no pupils are unfairly disadvantaged. The scale of this work is not to be underestimated. Leaders will require a careful balance of support and challenge to achieve this ambition, as well as access to high quality professional development, collaboration and training brokered and provided by the local authority.

The identification of, and support for all vulnerable children and young people, including those with special educational needs and disabilities and those children looked after, will be key a priority. The Council will work closely with schools providing support to ensure all pupils' needs are appropriately met and any lost pace of learning is regained.

The mental health and well-being of school leaders and staff is as essential consideration and will need to be appropriately supported to maintain a strong and sustainable workforce.

For this reason, the revised School Improvement Strategy will continue to build on the Council's ambition to ensure effective and sustained leadership in East Riding schools and settings, working with future, new and experienced leaders to provide access to high quality training and qualifications.

Alternative Provision

Alternative provision is required in order to improve the quality of outcomes for children for whom maintained settings cannot adequately meet their needs.

A full review of alternative provision, including the use of The Hub School, is currently being undertaken and a significant amount of progress has already been made. A comprehensive

strategy is required to ensure that the needs of children with education, health and care plans who require an alternative education provision can be met locally.

The alternative provision review will also consider how alternative provision can be reorganised geographically within the East Riding to reduce pressure on the system thereby mitigating pressures in the high needs and the home to school transport budgets (General Fund). Future investment will be required in order to meet the on-going growth in demand for alternative provision across the East Riding.

Implementation of the National Funding Formula

It remains the government's intention for individual schools' budgets to be set through the national funding formula. The DfE recognise that progression to a national funding formula is a significant change and they are working closely with local authorities and schools to make the transition as smooth as possible. In the meantime, local authorities continue to be able to approve their own local schools funding formula for 2021-22, but whether this discretion will remain in place for future years has yet to be confirmed.

In September 2019, the DfE launched a review into tackling the "postcode lottery" of support services available for children with special educational needs and disabilities (SEND). The SEND review aims to improve the services available to families and equip school staff to respond to children's needs.

A key priority for the Children, Families and Schools directorate is the development of more East Riding centric high needs provision, which will potentially reduce the need to place children in expensive independent and out of area placements. Planned development at the new site of the St Anne's Special School in Hessle should increase the number of places available for high needs students within the East Riding. Further planned developments are planned for 2021 with the details yet to be confirmed.

Financial Plan

The East Riding has received an additional DSG allocation of £10.976m in 2021-22. It is projected that the East Riding will receive an additional schools block and high needs block funding of £11.212m in 2022-23, based on the announced national increase. There is no indication of funding increases for 2023-24 and 2024-25.

This results in the following four year financial plan for the Schools Budget.

	2021-22	2022-23	2023-24	2024-25
	£m	£m	£m	£m
Previous year's base budget	250.917	261.893	273.105	272.965
Funding increase - schools block	6.903	8.641		
Funding increase - high needs block	3.800	2.711		
Funding increase - early years block	0.241	-		
Funding reduction - central schools services block	0.032	- 0.140	- 0.140	- 0.140
Net funding increase	10.976	11.212	- 0.140	- 0.140
Projected funding	261.893	273.105	272.965	272.825
Analysed by Funding Block				
Schools block	210.555	219.196	219.196	219.196
High needs block	30.982	33.693	33.693	33.693
Early years block	18.403	18.403	18.403	18.403
Central school services block	1.953	1.813	1.673	1.533
	261.893	273.105	272.965	272.825

Schools Block

Schools block funding will be distributed to schools in full, with the exception of £0.672m of funding retained for pupil growth.

High Needs Block

The high needs budget for 2021-22 will be set at £30.982m in accordance with the funding available, an increase of £3.800m on 2020-21. However, budget pressures of £5.761m are projected for 2021-22, exceeding the funding increase available, as follows:

	2021-22
	£m
High Needs Block - Budget Pressures	
Payments to Independent Special Schools	1.298
Bespoke Support Packages	0.265
Primary, Secondary & Academy School - Top Up Funding	1.000
Special Schools - Top Up Funding	0.360
Other Local Authority - Top Up Funding	1.143
Enhance Resource Provision - Top Up Funding	0.626
Post 16 - Top Up Funding	0.356
Place Funding - Special Schools	0.130
Place Funding - Pupil Referral Unit	0.270
Exclusions	0.111
Home Tuition	0.202
	5.761

- Payments to Independent Special Schools** – during the 2019-20 financial year, 32 new placements were made which was larger than anticipated and has created a budget pressure in 2020-21. Continuing increases in demand and the average cost of a place is expected to result in a budget pressure for 2021-22 of £1.298m.
- Bespoke Support Packages** – there has been an increase in the number of personal budgets approved for all aspects of Education Health and Care Plans (EHCPs) and other bespoke packages. This is due to a general increase of 90% in EHCPs since 2015, parents' better understanding of personal budgets linked to their child's needs and increased staff confidence in the offer and explanation of personal budgets. A budget pressure of £0.590m is projected for 2020-21. It is not expected to continue at this level going forward so a budget increase of £0.265m is proposed for 2021-22.
- Primary, Secondary and Academy Top Up Funding** – these budgets are under significant pressure in 2020-21. Based on the overspend expected in 2020-21, which reflects a continuing increase in EHCPs, a budget pressure of £0.593m is currently expected. The growth in EHCPs is expected to continue and could result in a budget pressure of £1.0m in 2021-22. The current funding bands were introduced in 2014 and have not kept pace with inflation. This is putting unsustainable pressure on schools and contributing to the escalation of children and young people through to specialist provision. A full review of the funding bands will be included as part of a whole SEND system approach in order to reduce the need for EHCPs in future. This work will take time to embed and have an impact on the high needs budget.
- Special Schools Top Up Funding** – the DfE has increased the basic entitlement in the high needs block from £4,000 to £4,660 to reflect the transfer of funding into DSG from April 2021 for Teachers Pay and Pensions grants. This equates to additional funding and a corresponding budget pressure of £0.360m.

- **Top Up Funding – Other Local Authority Schools** – this is currently increasing at a rate of 20% per annum, projecting this forward creates a budget pressure of £1.143m in 2021-22.
- **Enhanced Resourced Provision Top Up Funding** – as the number of children and young people with SEND and EHCPs continues to increase, capacity within our specialist provision remains a concern. Whilst we have expanded our special school places, we are also continuing to develop specialist Enhanced Resource Provision (ERP) within East Riding. The Council now has service level agreements with 5 Primary Schools and 5 Secondary Schools to provide ERP, with new provision opening this year at Howden School and Croxby Primary as well as Hornsea and Market Weighton School's increasing their number of places available. This requires an increase in Top Up Funding of £0.626m in 2021-22.
- **Post 16 Top Up Funding** – there has been a sharp increase in learners at both East Riding and Bishop Burton colleges. East Riding College rose from 33 in 2018-19 to 54 in 2019-20. Bishop Burton College learners have increased from 35 in 2019-20 to 74 learners in 2020-21. This creates a budget pressure in 2021-22 of £0.356m.
- **Special School Place Funding** – following the development of new facilities at Riverside and Kings Mill School, capacity will increase during 2020-21 by a further 13 places and will then be a full capacity. This creates a budget pressure for 2021-22 of £0.130m.
- **Place Funding – Pupil Referral Unit** – for some pupils with or without an education and health care plan their needs cannot be met by either the special schools or by ERPs. The Hub School has a number of long-stay places for pupils with an EHCP whose needs would otherwise need to be met by an external specialist provision. There is limited capacity within The Hub School's physical space and we have recently enabled an additional two classroom spaces to be made available by re-arranging part of the corporate side of the building. This has provided classroom space for an additional 9 long stay spaces for pupils with an EHCP. We have already identified pupils with an EHCP whose needs could be met by The Hub. Without these additional places, pupils would have to be placed in more expensive out of county provision which would have an impact on the already overspent High Needs Budget but would also mean moving the pupils out of county, away from their family and peer group. A budget pressure of £0.270m for 2021-22 is projected.
- **Exclusions** – there is a 2020-21 projected pressure of £0.111m. With children having been out of school for a significant amount of time due to the pandemic, we are expecting more social, emotional and mental health issues and anxieties with pupils. This could lead to more challenging behaviour, possibly resulting in more exclusions from school. We have a clear plan in place to support schools and pupils with this, but still anticipate an increase in exclusions. We expect the current level of budget pressure to continue in 2021-22.
- **Home Tuition** – there is a 2020-21 projected pressure of £0.165m (at Month 5) due to increased referrals and hospital tuition. In the last academic year (2019-20), we had approximately a 64% increase in students who accessed the provision on medical grounds and these numbers are likely to steadily increase as further barriers to our service are removed/streamlined and as schools become more aware of our service. Furthermore, over 40% of medical tuition referrals have been related to mental health which is expected to increase by a further 35% due to the Covid-19 pandemic bringing total numbers up by an estimated 15%. Invoices for hospital-based education from 3rd party companies is also

expected to rise significantly due to the current pandemic. Therefore, a 2021-22 budget pressure of £0.202m is projected.

A small saving of £0.022m in sensory integration is anticipated in 2021-22 due to lower than forecast costs in 2020-21 rolling forward into 2021-22 as some of the more expensive packages are ceasing. Therefore, the overall funding increase required for high needs is £5.739m, which exceeds the increase available by £1.939m. Consequently, the budget increase of £3.8m will be allocated pro rata across the above pressures in order to set a balanced budget.

Early Years Block

The East Riding will receive a three and four year old hourly funding rate of £4.44 for 2021-22 from the ESFA, which represents an increase of £0.06 on the funding per hour for 2020-21. The amount of early years funding that can be retained by local authorities for central services remains at 5% for 2021-22. The East Riding's hourly rate paid to all early years providers in 2021-22 was £4.07. A proposal on how to utilise the additional £0.06 per hour will be presented to the Schools Forum in January 2021, with any final decision requiring Council approval. The Government expects the entire increase per hour to be passported to early years providers. This decision may impact on the percentage retained centrally, although current forecasts are that it will remain at around 4.1%.

More funding will be required from the government in future years if early years providers are to meet the government's national living wage trajectory, currently projected at £10.32 per hour by 2024-25, whilst remaining sustainable.

The early years block for 2021-22 will continue to include supplementary funding for the Council's four maintained nursery schools of £0.318m. The DfE has only guaranteed this supplementary funding until the end of 2021-22. In 2021-22, the four East Riding nursery schools will each receive a lump sum of £0.090m. The difference between funding allocated to the four nurseries of £0.360m and the funding received of £0.318m will be met from the early years centrally retained budget. No further reductions in the nursery school lump sum are currently planned after 2021-22.

Central School Services Block

A number of services provided centrally either by the Council or the DfE are funded through the central school services block. This includes the admissions service and copyright licences, the administration of which is managed by the DfE. It also funds our exclusions service and makes a contribution to the school improvement service budget.

The DfE intends to phase out the central school services block. This process started in 2020-21 and there is a reduction of £0.140m (7.3%) for 2021-22. This will result in a reduction in the funding contribution to the cost of exclusions and school improvement services.

The reduction in the contribution to the exclusions service and school improvement service will be met from the General Fund. As a consequence this is reported as a budget pressure in the Children, Families and Schools budget paper.

The central block as a whole has increased by £0.032m, which includes £0.172m for Teachers' Pay and Pensions grants for centrally employed teachers.