

## NORTH YORKSHIRE COUNTY COUNCIL

## YOUNG PEOPLE'S OVERVIEW AND SCRUTINY COMMITTEE

28<sup>TH</sup> FEBRUARY 2020

## CYPS FINANCIAL POSITION

**1.0 PURPOSE OF REPORT**

- 1.1 This report provides an update on the latest financial position in relation to local authority maintained schools as at 31<sup>st</sup> December 2019 based on the 2019/20 Revised Forecasts submitted by schools to the Local Authority. The report also provides an overview of the management actions undertaken during the 2019-20 financial year to date to support schools in financial difficulty (see section 2 through to section 5).
- 1.2 This report also highlights the areas presenting with the most significant financial pressures facing CYPS as at December 2020 and the management action that has been taken in response to the pressures (see section 6 through to section 9).

**2.0 SCHOOL FINANCES****BACKGROUND**

- 2.1 In June 2019, a report was presented to the Young People's Overview and Scrutiny Committee highlighting the concerns identified in relation to school finances including:
- A year on year reduction in the overall aggregate level of school balances;
  - An increasing number of schools reporting an in-year financial deficit;
  - Increasing numbers of schools projecting both in-year financial deficits in future years and accumulated budget deficits in future years;
  - The average value of budget deficits rising;
  - Depleted Dedicated Schools Grant (DSG) reserves
- 2.2. The June 2019 report also provided an overview of the management actions being undertaken to support and challenge schools facing financial difficulties. Identified actions included individual communications and work with schools, the use of financial controls where appropriate and continued lobbying locally and nationally for improved funding levels for schools in North Yorkshire.

**3.0 SCHOOL FINANCIAL POSITION 2018/2019**

- 3.1 School Revenue Balances decreased by £2.3m from £16.2m to £13.9m during the 2018-19 financial year. This represents a reduction of 14% on the 2017-18 Revenue Balances. This figure represents 6.3% of school budgets. The equivalent percentage reported in 2017-18 was 7% continuing the trend of declining school balances.

- 3.2 The overall position with regard to School Revenue Balances at the end of the 2018-19 financial year is summarised below, together with a comparison with 2017-18. The balances are also expressed as a percentage of school delegated budgets.

<b>2018/2019</b>	<b>PRIMARY &amp; NURSERY</b>	<b>SECONDARY</b>	<b>SPECIAL</b>	<b>PRU</b>	<b>TOTAL</b>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Revenue Balances	11,413	773	201	1,483	<b>13,870</b>
% of Revenue Budget	9.1%	1.0%	1.2%	39.4%	<b>6.3%</b>
Comparison with 2018 Revenue Balance					
Increase (+) Decrease (-)	+266	-1,302	-1,209	-72	<b>-2,317</b>

- 3.3 As at the 31<sup>st</sup> March 2019, 47 schools were in an overall accumulated revenue budget deficit. The table below provides an analysis by phase of this position:

<b>Financial Year</b>	<b>Primary (incl. Nursery)</b>		<b>Secondary</b>		<b>Special (incl. PRU)</b>		<b>Total</b>	
	No. Schools In Deficit	Average Deficit £'000	No. Schools In Deficit	Average Deficit £'000	No. Schools In Deficit	Average Deficit £'000	No. Schools In Deficit	Average Deficit £'000
2017/2018	44	-22.2	9	-275.9	1	-967.8	54	-82.0
2018/2019	35	-33.9	8	-384.6	4	-435.6	47	-127.8

The analysis indicates that whilst the numbers of schools in an accumulated revenue budget deficit have reduced compared to 2017-18, the average level of budget deficit has increased. It also needs to be noted that the number of Special Schools and PRU in budget deficit has increased from 1 in 2017-18 to 4 in 2018-19.

#### **4.0 SCHOOL FINANCIAL POSITION 2019-20 TO 2021-22**

- 4.1 Schools are required to submit financial forecast information to the Local Authority at two points during the financial year: Start Budget Forecasts by 20<sup>th</sup> May each year and Revised Budget Forecasts by 31<sup>st</sup> December each year. The table below provides an analysis of the position for the 2019/2020 financial year:

	2019/20 Start Budgets			2019/20 Revised Budgets		
	Total Forecast Revenue Balance £'000	No. Schools in Deficit	Average Value Revenue Deficit £'000	Total Forecast Revenue Balance £'000	No. Schools in Deficit	Average Value Revenue Deficit £'000
Primary (incl. Nursery)	6,818	40	-38.43	7,869	38	-38.16
Secondary	-1,038	8	-421.96	-1,121	7	-479.45
Special (Incl. PRS)*	-1,409	6	-557.5	-1,089	6	-536.25
<b>Total</b>	<b>4,371</b>	<b>54</b>	<b>-155.6</b>	<b>5,659</b>	<b>51</b>	<b>-158.88</b>

\*2 Special School budgets still be finalised

- 4.2 The 2019-20 Revised Budgets indicate an improvement of £1.3m in the overall cumulative school revenue balance compared to the forecast 2019/2020 Start Budget position. The improvement is predominately due to the forecast revenue balance for primary schools increasing by £1.05m between the two forecasts. Secondary school budgets indicate a marginal deterioration of £83k and Special school and Pupil Referral Service (PRS) budgets indicate a marginal improvement of £320k, although this position may change once the two outstanding budget submissions are received. Whilst the 2019-20 Revised Budgets indicate an improvement in the 2019-20 financial position, an overall reduction of £8.2m is still forecast in school revenue balances between the 31<sup>st</sup> March 2019 and 31<sup>st</sup> March 2020.
- 4.3 The number of schools forecasting to have an accumulated budget deficit as at 31<sup>st</sup> March 2020 has reduced from 54 schools to 51 schools. Whilst the number of schools forecasting to be in deficit has reduced, the overall average budget deficit has marginally increased. This is due to the forecast average secondary school budget deficit increasing from £422k to £479k. Analysis indicates that the schools facing the most serious and significant financial challenges are:
- Very small primary schools
  - Small secondary schools
  - Special schools
- 4.4 The budget submission process requires schools to submit a three year financial forecast. The forecast financial position for school revenue budgets for the financial years 2020-21 and 2021-22, as per the 2019-20 Revised Budgets, is as follows:

	2020/2021			2021/2022		
	Total Forecast Revenue Balance £'000	No. Schools in Deficit	Average Value Revenue Deficit £'000	Total Forecast Revenue Balance £'000	No. Schools in Deficit	Average Value Revenue Deficit £'000
Primary (incl. Nursery)	5,810	59	-43.23	3,937	87	-56.00
Secondary	-3,378	9	-559.43	-5,871	12	-586.31
Special (Incl. PRS)*	-4,442	9	-575.27	-7,786	10	-789.33
<b>Total</b>	<b>-2,010</b>	<b>77</b>	<b>-173.88</b>	<b>-9,720</b>	<b>109</b>	<b>-199.49</b>

\*2 Special School budgets still be finalised

- 4.5 The numbers of school forecasting to be in an overall revenue budget deficit position for the three financial years 2019-20 to 2021-22 is as follows:

	2018/19		2019/20		2020/21		2021/22	
	No. Schools in Deficit	% of Schools	No. Schools in Deficit	% of Schools	No. Schools in Deficit	% of Schools	No. Schools in Deficit	% of Schools
Primary (incl. Nursery)	35	15.2%	38	17.8%	59	27.7%	87	40.8%
Secondary	8	34.8%	7	36.8%	9	47.4%	12	63.2%
Special (Incl. PRS)*	4	30.8%	6	46.2%	9	69.2%	10	76.9%
<b>Total</b>	<b>47</b>	<b>17.7%</b>	<b>51</b>	<b>20.8%</b>	<b>77</b>	<b>31.4%</b>	<b>109</b>	<b>44.5%</b>

\*2 Special School budgets still be finalised

- 4.6 The analysis indicates a deteriorating financial position for future years with regard to an increasing number of schools forecasting to be in an accumulated budget deficit position, the average level of school deficits increasing and the aggregate value of school's revenue balances moving into an overall deficit position next financial year.

## 5.0 SUPPORTING SCHOOLS IN FINANCIAL DIFFICULTY

- 5.1 The Local Authority has continued to strengthen the proactive work undertaken during the 2019/20 financial year with those schools who are either currently in budget deficit or are forecasting future budget deficits. Actions undertaken include:

- The introduction of a RAG rating system in order to prioritise levels of intervention in individual schools which are facing financial challenges
- Individual meetings with those schools facing the most significant financial challenges
- Financial reviews have been undertaken with a number of schools in budget deficit who are struggling to develop a deficit recovery plan.
- The strengthening of financial controls and reporting requirements for those schools in financial deficit and those schools converting to academy status under a sponsored arrangement
- Proactively reviewing school eligibility for additional funding sources e.g. falling rolls fund and pupil growth funding.
- A research project into effective financial and resource management in small schools. The results from the research should be available in Summer 2020.
- Continuing to lobby the DfE and local MPs for fairer funding for North Yorkshire schools.

5.2 In Autumn 2019 the DfE announced increases in school funding for the next three financial years (2020-21 to 2022-23). Within North Yorkshire the additional funding has allowed for the following increases to be applied to school budgets for the 2020/21 financial year:

- A minimum funding guarantee of +1.84%; this ensures a minimum increase of 1.84% in funding per pupil between the 2019/20 and 2020/21 financial years with regard to the pupil led funding factors.
- No cap on funding gains as a result of the introduction of the National Funding Formula.
- The mandatory minimum per pupil level funding values of £3,750 for primary schools and £5,000 for secondary schools.

The impact of the additional funding for 2020/21 on individual school budgets will be able to be assessed once 2020/21 Start Budget submissions have been received from schools. Schools are required to submit their 2020/21 Start Budgets by 20<sup>th</sup> May 2020.

## 6.0 CYPs FINANCIAL PRESSURES

6.1 This report provides the latest forecast outturn, which shows an overall net overspending of **£1.9m**. This is a slight improvement compared with projections at Q2.

6.2 A summary of the main variances are shown in the table below:

*Table 1: Summary of Variances*

Service Area	Budget	Net Projected Outturn As at end of Dec 2019 (£k)	Variance to Budget As at end of Dec 2019 (£k)	Variance to Budget As at Q2 (£k)	Movement (£k)
Disabled Children's Services	5,482	6,057	575	467	108
Inclusion	704	858	154	230	(76)
Assessment & Reviewing Officers	666	635	(31)	(13)	(18)
Home to School Transport	25,259	26,232	973	1,307	(334)
Children & Families	34,827	34,187	(640)	(699)	59
CYPS Pooled Budget	1,414	2,305	891	841	50
Education & Skills	1,692	1,542	(150)	(111)	(39)
Finance & Management Support	1,027	458	(569)	(542)	(27)
School Redundancies & Pension Enhancements	838	1,022	184	190	(6)
CYPS Commissioning	1,237	1,224	(13)	(13)	0
Director's Unit	27	0	(27)	(27)	0
Safeguarding Unit	1,175	1,247	72	77	(5)
High Needs Commissioning	3,748	4,637	889	1,426	(537)
Sponsored Academy Deficits		0	0	0	0
Early Years Review		(81)	(81)	(80)	(1)
Outdoor Learning	(13)	29	42	(24)	66
Music	(127)	(81)	46	(100)	146
Funding from Supplementary School Block Transfer		(373)	(373)	(834)	461
<b>Total</b>	<b>77,956</b>	<b>79,898</b>	<b>1,942</b>	<b>2,095</b>	<b>(153)</b>

6.3 The following sections highlights some of the key areas of financial pressure and management action undertaken in response.

## 7.0 HIGH NEEDS AND SEN

7.1 The most significant financial pressure continues to relate to SEN within the High Needs Block of the Dedicated Schools Grant (DSG). In 2019-20, the Directorate is projecting an underlying overspend of £7.6m which is offset, in part, by the application of temporary funds agreed by DfE in December 2018, a 1% Schools Block transfer agreed by Secretary of State, and an LA contribution to High Needs.

7.2 The number of EHCPs has been the major driver of the financial pressure; there has been a 68% increase in the number of children and young people assessed as requiring an Education, Health and Care Plan since 2015. Through careful deployment of the Special Provision Capital Fund (North Yorkshire received the minimum allocation from DfE), the local authority has been able to increase special school places by c.170. However, commissioning of maintained special schools places has not been able to keep pace with demand due to the physical constraints of some schools and this has contributed to increased demand, and therefore, spend in the non-maintained and independent sector.

7.3 Costs within the High Needs Block have continued to exceed the funding allocation for the following reasons:

- the increase in High Needs funding has not kept pace with inflation and increases in demand;
- a significant element of the funding formula is based on historic spending. This bears no reflection to the actual cost drivers creating financial pressure and penalises the local authority (and schools) for past efficiencies.

7.4 For 2020-21, the DfE have allocated an additional £780m for High Needs nationally. North Yorkshire will benefit from an additional £5.4m which is welcome. However, this is insufficient to deal with the financial pressure. In 2020-21, the local authority expects an in-year shortfall in funding of approximately £12m:

- Deficit brought forward from 2018-19	£3.3m
- Est. deficit brought forward from 2019-20	£3.7m
- In-year shortfall 2020-21	£5.1m
<b>Total Funding Shortfall 2020-21</b>	<b>£12.1m</b>

7.5 To assist in meeting continued demand and to reduce spend in the independent sector, NYCC submitted a bid for a Free School in Selby. The bid was successful and DfE processes are underway to appoint a sponsor and take forward planning and building issues. Satellite provision from Mowbray School has also been established in Ripon, accepting pupils from January 2020. The strategic plan also seeks to strengthen the targeted mainstream offer for those young people that need an enhanced offer of support in a mainstream environment.

7.6 In February 2020, the DfE also released the outcome of a consultation on clarifying the ringfence arrangements for the Dedicated Schools Grant. This effectively prevents the local authority from funding any part of the DSG deficit from any source other than DSG.

## **8.0 SEN TRANSPORT**

8.1 Linked with the pressures arising from the increase in Education, Health and Care Plans, the local authority continues to experience financial pressure in SEN home to school transport budgets. The number of children receiving special transport has risen, particularly as provision within Special Schools has risen. An in-year projected deficit of £1.0m reflects the pressure of a couple of extra transport days as well as the impact of PSVAR (Public Services Vehicle Accessibility Regulations). A number of management actions focussed on reducing expenditure have involved review of policy, developing a parental transport allowance, and undertaking an SEN Transport Focussed Review.

## **9.0 DISABLED CHILDREN'S SERVICES**

9.1 There is an in-year projected financial pressure of £575k which reflects pressure on local commissioning budgets, increases in direct payments and a reduction in the number of children and young people who receive a health contribution to their package of care and support. The service is being reviewed and management action to review the level of health contributions is underway.

## **10.0 SUMMARY**

10.1 Overview and Scrutiny Committee are asked to note the contents of the report.

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