

# NORTH YORKSHIRE COUNTY COUNCIL

## YOUNG PEOPLE'S OVERVIEW AND SCRUTINY COMMITTEE

9<sup>TH</sup> DECEMBER 2022

### CYPS FINANCIAL POSITION

#### JOINT REPORT OF THE CORPORATE DIRECTOR – CHILDREN AND YOUNG PEOPLE'S SERVICE AND CORPORATE DIRECTOR – STRATEGIC RESOURCES

#### 1.0 PURPOSE OF REPORT

1.1 This paper highlights the areas presenting with the most significant financial pressures facing Children and Young People's Services (CYPS) as at Quarter 2 (Q2) 2022 and the management action that has been taken in response to the pressures. In addition, the report provides an update on school funding pressures.

#### 2.0 CYPS FINANCIAL PRESSURES

2.1 At its meeting on 29 November 2022, the Executive received the Quarterly Performance and Budget Monitoring Report for Q2, 2022. The report highlighted a projected overspend in Children and Young People's Services of £5.2m. This reflected a number of sustained financial pressures.

2.2 A summary of the main variances is shown in the table below:

Table 1: Summary of Variances

Service Area	Budget 2020-21  (£k)	Outturn 2020-21  (£k)	Variance 2020-21 Latest (£k)
Disabled Children's Service	5,465	6,553	1,088
Inclusion	2,710	2,952	242
Home to School Transport	32,437	34,489	2,052
Children & Families	30,287	30,693	406
Children & Families - Placement Budget	10,080	9,390	(690)
Pooled Placement Budget	1,606	4,055	2,449
Education & Skills	129	158	29
Finance & Management Support	1,128	979	(149)
School Redundancies & Pension Enhancements	1,001	1,064	63
School Improvement	936	672	(264)
CYPS Commissioning	969	869	(100)
Safeguarding Unit	460	473	13
Director's Unit	29	27	(2)
Outdoor Learning	-	(54)	(54)
Music	5	111	106
Local Authority Provision for High Needs	2,500	2,500	-
High Needs	-	528	528
Sponsored Academy Deficits			
DSG* Overspend to be carried forward	-	(528)	(528)
<b>Total</b>	<b>89,742</b>	<b>94,931</b>	<b>5,189</b>

\* Dedicated Schools Grant (DSG)

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

### **3.0 HIGH NEEDS AND SEN**

- 3.1 The most significant financial pressure within the Directorate relates to Special Educational Needs and Disabilities (SEND) within the High Needs Block of the Dedicated Schools Grant (DSG). In 2022-23, the Directorate is projecting a financial pressure in the order of £0.5m. This will be in addition to the accumulated deficit of £9.6m from prior years. Over a number of years, there has been an unprecedented increase in the numbers of requests for Education, Health and Care Plans (EHCPs) – numbers of EHCPs have increased from 1,728 in January 2015 to c.4,330 in November 2022 (a rise of c.150%). Whilst the Department for Education (DfE) has provided some additional funding, most notably in the 2022-23, High Needs Block funding remains insufficient to fund current and growing demand and the trend is expected to continue with the rate of increases in demand expected to outstrip any increases in DfE funding. The in-year projected deficit for 2023-24 is expected to amount to at least £4.5m.
- 3.2 To assist in meeting continued demand and to reduce spend in the independent sector, NYCC have successfully bid for a Free Special School in Selby (although DfE delivery has been delayed). Satellite provision has been developed at Mowbray School in Ripon (opened in January 2020) offering 60 additional specialist places. Actions have also been taken forward in the strategic plan to strengthen the targeted mainstream offer for those young people that need an enhanced offer of support in a mainstream environment. Ten schools are now providing a Targeted Mainstream Provision and the Local Authority (LA) is committed to working with schools and academies to establish a total of 31 provisions across the county.
- 3.3 Locality boards have continued to operate and expand their membership. These are made up of local leaders from schools, colleges, and the LA to work in partnership to identify and address local Inclusion and School Improvement priorities.
- 3.4 Executive Members approved the Strategic Plan for SEND in early September 2018. The Strategic Plan outlines key areas of detailed review to reshape provision in both mainstream and special school settings, the core and additional offer to schools around inclusion support services, bids for free special schools and ways of working, collaboration, and governance. This is a comprehensive strategy aimed at improving the offer for children and young people within the funding available. The Strategic Plan is currently being refreshed in conjunction with partners and stakeholders and Member approval for the Plan will be sought in the coming months.
- 3.5 The LA continues to work to bring high needs expenditure to levels that can be sustained within anticipated future high needs funding levels. The funding gap represents a significant unfunded pressure from DfE. A financially sustainable, inclusive, and effective system is a high priority for the local authority, and we will continue to work to address the gap.

- 3.6 The LA faces a significant challenge in that projections indicate that there may be a shortfall of c.350 specialist places in the next 3 to 5 years, unless specialist places can be expanded within the county. Our priorities for investment include:
- completing the roll-out of Targeted Mainstream Provision;
  - addressing the lack of SEMH (Social, Emotional and Mental Health) provision in the north and central parts of the county;
  - developing a new provision which could support secondary-aged pupils with ASD (Autism Spectrum Disorder) in a central area within the county;
  - progressing with modest scale high value-for-money schemes that expand our existing range of specialist provisions, particularly where there is high demand for admissions.
- 3.7 However, capital investment opportunities are limited by recent DfE high needs capital provision allocations which provided only £0.716m for North Yorkshire in the 2021-22 allocation round, and an additional £8.468m from the 2022-23 and 2023-24 allocation rounds. North Yorkshire has received the lowest per head high needs capital allocation out of 149 local authorities.
- 3.8 We remain concerned about the scale of available capital funding and the scale of our specialist provision capacity challenge, and we continue to make representations to the DfE regarding the distribution methodology for high needs capital funding. However, we continue to explore options including:
- DfE bidding opportunities;
  - modest scale high-value capital investments;
  - redirection of school condition grant;
  - local authority capital investment.
- 3.9 To this end, we have submitted an application as part of the latest DfE special school free wave (October 2022) to secure an SEMH provision in the Hambleton/ Richmondshire area, catering for pupils aged 8-16. The outcome of the bid is anticipated in the Spring Term 2023.
- 3.10 North Yorkshire will also be participating in the DfE Delivering Better Value (DBV) programme, as part of Tranche 3. Detailed diagnostic work is expected to commence in Summer Term 2023. Some additional non-recurring grant funding may be available as an enabler to deliver savings against the high needs grant.

#### **4.0 SEN TRANSPORT**

- 4.1 Linked with the pressures arising from the increase in Education, Health and Care Plans, the local authority has also seen 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. In 2021-22, the local authority spent £14.1m transporting 1,290 children with SEN compared to £5.6m in 2015. The LA has also seen price pressure arising from driver shortages in the industry, market forces and general inflationary pressure.

#### **5.0 OTHER CYPS BUDGET AREAS**

- 5.1 Other CYPS areas with financial pressure include:
- **Pooled Budget** – the budget comprises both care (LA budgets) and education (DSG) as well as some anticipated health partner contributions. A small number

of very expensive care arrangements for children with multiple vulnerabilities and needs, agency nursing costs and market volatility have contributed to the financial pressure. High-cost external placements are being reviewed to ensure they remain cost-effective and given the limited choice, opportunities to explore alternative arrangements are being explored.

- **Disabled Children's Services** – lower than anticipated health contributions and additional staffing costs have led to the current financial pressure. A review of services for disabled children and their families seeks to scope a range of actions across a number of workstreams and involving a number of agencies to ensure areas for transformation and efficiencies are identified. Management action to appropriately increase health contributions is being explored.
- 5.2 Management action to address areas of financial pressure include approaches to manage demand and, working with partners to ensure a collaborative approach to meeting the needs of children and young people. The Directorate has previously undertaken focussed reviews on SEN administration, SEN and mainstream transport, taking forward actions to ensure efficient processes and scheduling.
- 5.3 The financial environment remains challenging. As reported as part of the Q2 Executive Quarterly Performance Report, despite some high performance supporting positive outcomes for children, young people and their families, demand remains high. Referrals to Children's Social Care in Q2 (2022) were 26% higher than in 2021 and we are seeing a need for families to be re-referred for further episodes of intervention. The rise in contacts and referrals is likely to be reflective of the increasing pressure on families, linked to a combination of the lasting effects of the pandemic and the rising cost of living. The number of Unaccompanied Asylum Seeking Children (UASC) have also continued to rise.
- 5.4 The financial outlook for Children and Young People's Services remains a challenge. For example, North Yorkshire receives one of the lowest funding per head settlements in the country for high needs funding. The Directorate is subject to significant levels of uncertainty a result of inflation, provider market volatility and staffing pressures. Other funding pressures include the DfE's withdrawal of 50% of the School Improvement Monitoring and Brokerage Grant from April 2022. 100% of the grant will be withdrawn from April 2023. Statutory school improvement functions will, therefore, only be funded from April 2023 by agreement from schools to 'de-delegate' funding from LA maintained schools.
- 5.5 The Directorate has contributed to transformation and savings plans previously. The Directorate will continue to explore future developments to identify budget mitigations and strategies as part of budget setting, to reduce the impact of exceptional and unpredictable budget pressures, and to consider alternative cost-effective approaches to service delivery.

## 6.0 SCHOOL BALANCES

### *Primary & Maintained Nursery Schools*

- 6.1 Aggregate primary and maintained nursery school balances increased from £17.576m as at 31 March 2021 to £17.600m as at 31 March 2022. There were 15 primary schools with a deficit balance on 31 March 2022 compared to only 11 as of 31 March 2021 – an increase of four.

- 6.2 Following receipt of school start budgets, 103 primary schools and 1 maintained nursery school (58%) have budgeted for an in-year deficit although it should be noted that only 10 schools are projecting to be in deficit by 31 March 2023.
- 6.3 There were 67 schools (out of 180 LA maintained primary and nursery schools) projecting an accumulated deficit position by March 2025 (gross deficit position totalling £5.9m).
- 6.4 It should be noted that 1 LA maintained primary schools have been issued with a Notice of Financial Concern.

#### *Secondary Schools*

- 6.5 Aggregate secondary school balances improved from a net deficit position of £918k as of 31 March 2021 to a net deficit position of £203k as of 31 March 2022. There were five (out of 15) secondary schools in an accumulated deficit position, with aggregate deficits totalling £3.45m as at 31 March 2022. This is small improvement compared to March 2021 and saw one secondary school move from an accumulated deficit position into an accumulated surplus position following a recovery plan.
- 6.6 Each of the five schools are still projecting to have an accumulated deficit as of 31 March 2023.
- 6.7 There were seven schools projecting an accumulated deficit position by March 2025 with a gross deficit position totalling £4.4m. Even after taking into account those schools who are projecting an accumulated surplus by March 2025, the net aggregate projected deficit is £2.9m
- 6.8 It should be noted that 3 secondary schools have been issued with a Notice of Financial Concern.

#### *Special Schools*

- 6.9 Of seven LA maintained special schools, three were in deficit as of 31 March 2021 with a net aggregated deficit positions of £1.6m. This position deteriorated during 2021-22 with aggregate balances reducing from £41k deficit as at 31 March 2021 to £462k deficit as at 31 March 2022. Based on the submission of school start budgets, this is expected to further reduce to £1.67m deficit by 31<sup>st</sup> March 2023 with only two special schools projecting an in-year surplus during 2022-23.
- 6.10 All seven special schools are projecting to be in an accumulated deficit position by March 2025 with aggregated accumulated projected deficits of £3.9m.
- 6.11 It should be noted that 2 special schools have been issued with a Notice of Financial Concern.

#### *School Financial Pressures*

- 6.12 The LA remains particularly concerned regarding small, rural secondary schools and we continue to lobby for a fairer funding deal for North Yorkshire. NYCC have argued for more targeted funding for those secondary schools who are evidentially more rural – with pupils typically travelling longer distances – where there are greater challenges of achieving economies of scale with comparatively fewer pupils.

- 6.13 North Yorkshire secondary schools are placed 140 out of 150 local authorities in terms of revenue funding level per pupil. On average, a school in North Yorkshire will receive £5,713 per pupil in 2022-23 compared to a national average of £6,213. Comparing the funding for a 1,500-pupil secondary school this equates to a difference in funding of £0.75m. The funding for North Yorkshire primary schools is more favourable with a position of 31 out of 150 local authorities in terms of funding per pupil. For primary schools, a North Yorkshire school will receive on average £4,899 per pupil compared to a national average of £4,786.
- 6.14 Schools produced their 2022/23 Start Budgets prior to several emerging cost pressures being fully known (e.g., pay and energy bill inflation). It is anticipated that many schools will see a deterioration in their budget position for the 2022/23 financial year compared to their original forecast. Mid-year projections are expected from schools by end-December 2022; school Balances will be analysed in further detail during the spring term 2023 and actions picked up with individual schools are part of the support, challenge, and intervention framework.
- 6.15 The Department for Education (DfE) announced in July 2022 that overall school funding will increase by +1.9% for the 2023/24 financial year. School budgets have experienced significant cost pressures in the 2022/23 financial year, and this is likely to continue through to 2023/24. Cost pressures include:
- Pay award cost pressures with the September 2022 teachers pay award of 5% and an increase of 8.9% in starting salaries. A National Employers offer of £1,925 on non-teaching (NJC) salary points from 1st April 2022 plus a 4.04% increase on allowances; this equates to a 10% increase for staff on lower salary bands;
  - Energy inflation cost pressures in excess of 200% and uncertainty as to the impact of the Government Energy Bill Relief Scheme;
  - Overall inflationary pressures in excess of 10%;
  - Cost pressures associated with additional support for Covid recovery and catch up;
  - Cost pressures associated with supporting an increasing number of pupils with SEND;
  - Below forecast inflation increases in school funding provided by Government for the 2022/23 and 2023/24 financial years.
- 6.16 In the Autumn 2022 Statement, the Government announced that nationally:
- The core schools budget in England will receive an additional £2.3 billion of funding in 2023-24 and £2.3 billion in 2024-25. After adjusting Spending Review 2021 budgets down to account for the removal of the compensation for employer costs of the Health and Social Care Levy, this brings the core schools budget to a total of £58.8 billion in 2024-25, £2 billion greater than published at Spending Review 2021. This restores 2010 levels of per pupil funding in real terms and provides an average cash increase for every pupil of more than £1,000 by 2024-25, compared to 2021-22*
- 6.17 At the time of writing this report, no further information has been provided by the DfE as to how this funding will be allocated.

## **7.0 FINANCIAL IMPLICATIONS**

7.1 This report provides a briefing on financial issues affecting the Children and Young People's Directorate, including schools. Specific directorate issues are outlined in sections 2, 3,4 and 5. An overview of the financial position for school balances is outlined in section 6. As a briefing paper there are no specific recommendations or decisions and therefore no specific financial implications for this paper.

## **8.0 LEGAL IMPLICATIONS**

8.1 There are no specific legal implications identified within this briefing paper.

## **9.0 EQUALITIES IMPLICATIONS**

9.1 There are no specific equalities implication identified within this briefing paper.

## **10.0 CLIMATE CHANGE IMPLICATIONS**

10.1 There are no specific climate change implications identified within this briefing paper.

## **11.0 RECOMMENDATIONS**

11.1 The Children and Young People's Overview and Scrutiny Committee are asked to note the contents of the report.

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Background Papers: None*